BANCO BTG PACTUAL S.A. and BTG PACTUAL PARTICIPATIONS LTD

Admission to listing and trading on NYSE Euronext in Amsterdam of European Units

This prospectus (the "**Prospectus**") is published in connection with the admission to listing (the "**Listing**") on NYSE Euronext in Amsterdam ("**NYSE Euronext Amsterdam**") of 198,511,396 European Units and their underlying securities (the "**European Units**"), each such European Unit representing: (i) one Banco common share and two Banco Series A preferred shares, in the form of Global Depositary Shares ("**GDSs**"), and (ii) one BPP Class A voting common share (each a "**BPP A Share**") and two BPP Class B non-voting common shares (each a "**BPP B Share**" and together with the BPP A Shares, collectively, the "**BPP Shares**").

THIS PROSPECTUS IS NOT PUBLISHED IN CONNECTION WITH AND DOES NOT CONSTITUTE AN OFFER OF SECURITIES BY OR ON BEHALF OF US IN THE EUROPEAN ECONOMIC AREA AND HAS ONLY BEEN PREPARED FOR THE PURPOSE OF ADMITTING AND LISTING THE EUROPEAN UNITS, THE GDSs AND BPP SHARES ON NYSE EURONEXT AMSTERDAM.

Banco BTG Pactual S.A. ("**Banco BTG Pactual**") is a publicly held company, incorporated under the laws of Brazil (*sociedade por ações de capital aberto*). Banco BTG Pactual was incorporated on January 18, 1979 under registration number 33.300.000.402. BTG Pactual Participations Ltd ("**BTG Pactual Participations**") is a limited liability exempted company, incorporated under the laws of Bermuda. BTG Pactual Participations was incorporated on March 26, 2010 under registration number 44126. In this Prospectus, "we", "our", "us", "the BTG Pactual Group" and "BTG Pactual" refer to Banco BTG Pactual, BTG Pactual Participations, BTG Investments L.P. and their respective subsidiaries, collectively.

Prior to the Listing, the European Units were admitted to trading on NYSE Alternext in Amsterdam ("**NYSE Alternext Amsterdam**"), the multilateral trading facility operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"), under the symbol "BTGP" and with the ISIN Code US05890C3034. Application has been made to list all European Units under the symbol "BTGP" and with the ISIN Code US05890C3034 on NYSE Euronext in Amsterdam ("**NYSE Euronext Amsterdam**"), the regulated market operated by Euronext Amsterdam. Following, and subject to, admission of the European Units to trading and listing on NYSE Euronext Amsterdam, it is envisaged that trading of the European Units on NYSE Alternext Amsterdam will be ceased.

Trading in the European Units on NYSE Euronext Amsterdam is expected to start on or about October 10, 2013 (the "**First Trading Date**"). All dealings in European Units prior to the Listing are at the sole risk of the parties concerned. We, Euronext Amsterdam and our listing agent do not accept any responsibility or liability with respect to any person as a result of the withdrawal of the Listing or the (related) annulment of any transaction in European Units on NYSE Euronext Amsterdam. Initial settlement of trades on NYSE Euronext Amsterdam on the First Trading Date is expected to take place on or about October 15, 2013. This is also the first day of irrevocable trading of the European Units on NYSE Euronext Amsterdam. Starting on such date, all European Units will be tradeable on NYSE Euronext Amsterdam, and trading of the European Units will no longer be possible on NYSE Alternext Amsterdam. It is not expected that the GDSs or the BPP Shares will become separately tradeable on NYSE Euronext Amsterdam.

Settlement of the European Units traded on NYSE Euronext Amsterdam is expected to take place on or about October 15, 2013 through the book entry systems of the Centraal Instituut voor Giraal Effectenverkeer B.V. ("**Euroclear Nederland**").

INVESTING IN THE EUROPEAN UNITS INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 22 OF THIS PROSPECTUS FOR A DESCRIPTION OF THE MATERIAL RISKS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE EUROPEAN UNITS.

This document constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in the relevant European Economic Area member state ("**Prospectus Directive**") and has been prepared in accordance with Article 5:9 of the Financial Markets Supervision Act (*Wet op het financieel toezicht*; the "**FMSA**") and the rules promulgated thereunder. This Prospectus has been approved by and filed with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**").

THIS INFORMATION DOCUMENT IS NOT DIRECTED AT PERSONS IN THE UNITED STATES OR OTHER U.S. PERSONS (AS DEFINED IN REGULATION S OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR PERSONS RESIDENT OR LOCATED IN ANY OTHER JURISDICTION WHERE SUCH ACCESS WOULD VIOLATE ANY APPLICABLE LAW OR REGULATION.

NOTHING IN THIS INFORMATION DOCUMENT CONSTITUTES AN OFFER OF UNITS AND UNDERLYING SECURITIES (THE "SECURITIES") IN THE UNITED STATES AND ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S) ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS. BANCO BTG PACTUAL S.A. AND BTG PACTUAL PARTICIPATIONS LTD. HAVE NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NO PUBLIC OFFERING OF SECURITIES IS BEING MADE IN THE UNITED STATES. THE SECURITIES OFFERED AND SOLD OUTSIDE THE UNITED STATES ARE BEING OFFERED IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Prospectus dated October 8, 2013

TABLE OF CONTENTS

SUMMARY

A summary in this form is required to be included in the prospectus by the Prospectus Directive and related regulations. Summaries are made up of disclosure requirements known as ‘‘Elements’’. These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘‘not applicable’’.

Section A—Introduction and Warnings

A.1 Introduction

This summary should be read as an introduction to the Prospectus. Any decision to invest in the European Units (as defined in C.1 below) should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

Section B—Issuer

B.1 Legal and Commercial Name

Banco BTG Pactual S.A. and, unless the context requires otherwise, its consolidated subsidiaries ("Banco BTG Pactual") and BTG Pactual Participations Ltd and, unless the context requires otherwise, its consolidated subsidiaries ("BTG Pactual Participations") (together with BTGI and their respective subsidiaries, collectively, "BTG Pactual," "the BTG Pactual Group" or "we").

B.2 Domicile/Legal Form/Legislation/Country of Incorporation

Banco BTG Pactual is a publicly held company, incorporated under the laws of Brazil (*sociedade por ações de capital aberto*).

BTG Pactual Participations is a limited liability exempted company incorporated under the laws of Bermuda.

B.3 Business Description and Key Factors Affecting Results of Operations

We are an investment bank, asset manager and wealth manager with a dominant franchise in Brazil. In addition, we have established a successful international investment and distribution platform. Currently, we have offices on four continents, and provide a comprehensive range of financial services to a Brazilian and global client base that includes corporations, institutional investors, governments and high net worth individuals, or HNWI. Our seven business units are:

- **Investment Banking**, which provides financial advisory and capital markets services;
- **Corporate Lending**, which offers financing and loan guarantees to corporations;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes;
- **Asset Management**, which offers asset management services with a broad range of products across major Brazilian and international asset classes to Brazilian and international clients;

- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI;
- **PanAmericano**, our commercial and consumer banking business conducted through Banco PanAmericano, an independent Brazilian bank that we have co-controlled since mid-2011, which focuses on granting automobile loans, direct consumer loans, payroll deduction loans, middle market loans and mortgages, primarily to individuals and corporations in Brazil; and
- **Principal Investments**, which involves our capital investments with respect to a broad range of financial instruments, including merchant banking and real estate investments in Brazil and investments in a variety of financial instruments in global markets, which investments are primarily managed by our asset management unit.

BTGI used to conduct activities related to the business units Investment Banking, Sales and Trading, Asset Management, Wealth Management and Principal Investments. However, due to the corporate restructuring described elsewhere in this Prospectus, since September 2011, BTGI and consequently, BTG Pactual Participations conducts activities related exclusively to Principal Investments business unit. Banco BTG Pactual conducts activities related to all business units for the years ended December 31, 2010, 2011 and 2012, except for PanAmericano which started in 2011 with Banco BTG Pactual's acquisition of the co-controlling interest in Banco PanAmericano.

B.4a Known Trends

Most of our operations are conducted in Brazil. Accordingly, we are significantly affected by the general economic environment in Brazil. In addition, we derive substantial revenues from non-Brazilian securities and, therefore, are also subject to global economic conditions and, in particular, fluctuations in worldwide financial markets.

Economic activity in Brazil strengthened in 2010. The authorities increased the SELIC rate to 10.75% between April and July 2010, and maintained that rate through the end of the year. In 2010, the GDP in Brazil grew 7.5% and the inflation rate was 5.9%. In addition, the real appreciated 3.5% against the U.S. dollar, closing at R$1.67 per US$1.00 as of December 31, 2010.

Further tightening of macroeconomic policies occurred in 2011. The federal government announced cuts to the budget and, on July 20, 2011, the Central Bank increased the SELIC rate to 12.5%. Regulatory measures of credit restraint were also adopted. However, due to the worsening global macroeconomic environment and its potential impact on Brazilian economic growth and inflation levels, the Central Bank decided to decrease the SELIC rate over the course of the second half of 2011 in various steps to 11.0% as of December 31, 2011, in order to stimulate the economy while maintaining inflation within the acceptable range established by the Central Bank. In 2011, the IPCA inflation accumulated a variation of 6.5%, while the exchange rate reached R$1.88 per US$1.00 as of December 31, 2011, representing a 12.0% depreciation compared to the exchange rate as of December 31, 2010.

The unstable international economic environment in 2011, which we believe reflected, among other things, concerns with fiscal difficulties in Europe, impacted Brazil's stock market, which decreased 18.1% in 2011 as measured by the IBOVESPA index.

After a first half of 2011 marked by risk events and political turmoil in Greece, elections in France and the Spanish bank bailout, the third quarter of the year was marked by an improved political scenario and more accommodative monetary policies in many advanced and emerging economies. In Brazil, the loosening of the monetary policy since mid-2011 and the several other economic stimulus measures implemented by the government were expected to generate greater momentum toward the end of the year.

Signs of recovery in economic activity strengthened in 2012. The unemployment rate continued at historic lows and the slower pace of formal employment growth appears to reflect supply side constraints. Credit aggregates showed moderate growth in 2012 but overall credit conditions have improved in recent months, with a continued decline in interest rates, lower pressure on delinquencies and some recovery in vehicle financing. Retail sales growth continued to run in line with this trend while industrial activity, the weaker spot of the economy in recent quarters, posted its third monthly expansion in a row in August 2012, before showing some accommodation in September 2012. There were also signs of more adjusted inventories.

Brazil's IPCA consumer price index ended 2012 around 5.8%, far above the 4.5% center point of the country's annual inflation target, mainly due to food and beverages inflation, which represents 39% of the index, increasing 9.86%, primarily attributable to a rise in the prices of food. Food consumed at home became 10.04% more expensive mostly due to climatic problems and rose much more than the 5.43% rate increase in 2011. In addition, there was an upward contribution from the fading impact of tax breaks for durable goods which had previously played a crucial role. The general price index (IGP) also accelerated during 2012, increasing 7.2%.

Regarding monetary policy, the SELIC rate was cut by 325 bps in 2012, from 10.50% in January 2012 to 7.25% in early October 2012, which was maintained at the December 2012 meeting of the Central Bank's Committee on Monetary Policy (*Comitê de Política Monetária*), or COPOM. Since the commencement of the monetary easing cycle in July 2011, SELIC rate cuts totaled 5.25%. COPOM has indicated a clear intention to maintain the SELIC rate at its current level for a prolonged period of time.

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

	For the year ended December 31,		
	2010	**2011**	**2012**
GDP growth	7.53%	2.73%	0.87%
CDI rate[(1)]	9.71%	11.60%	8.37%
TJLP[(2)]	6.00%	6.00%	5.25%
SELIC rate[(3)]	10.75%	11.00%	7.25%
Appreciation (depreciation) of *real* against the U.S. dollar[(4)]	3.47%	(11.98)%	(8.57)%
Selling exchange rate (at period end) R$ per US$1.00[(5)]	R$1.67	R$1.88	R$2.04
Average exchange rate R$ per US$1.00[(6)]	R$1.76	R$1.67	R$1.95
Inflation (IGP-M)[(7)]	11.32%	5.10%	7.81%
Inflation (IPCA)[(8)]	5.91%	6.50%	5.84%

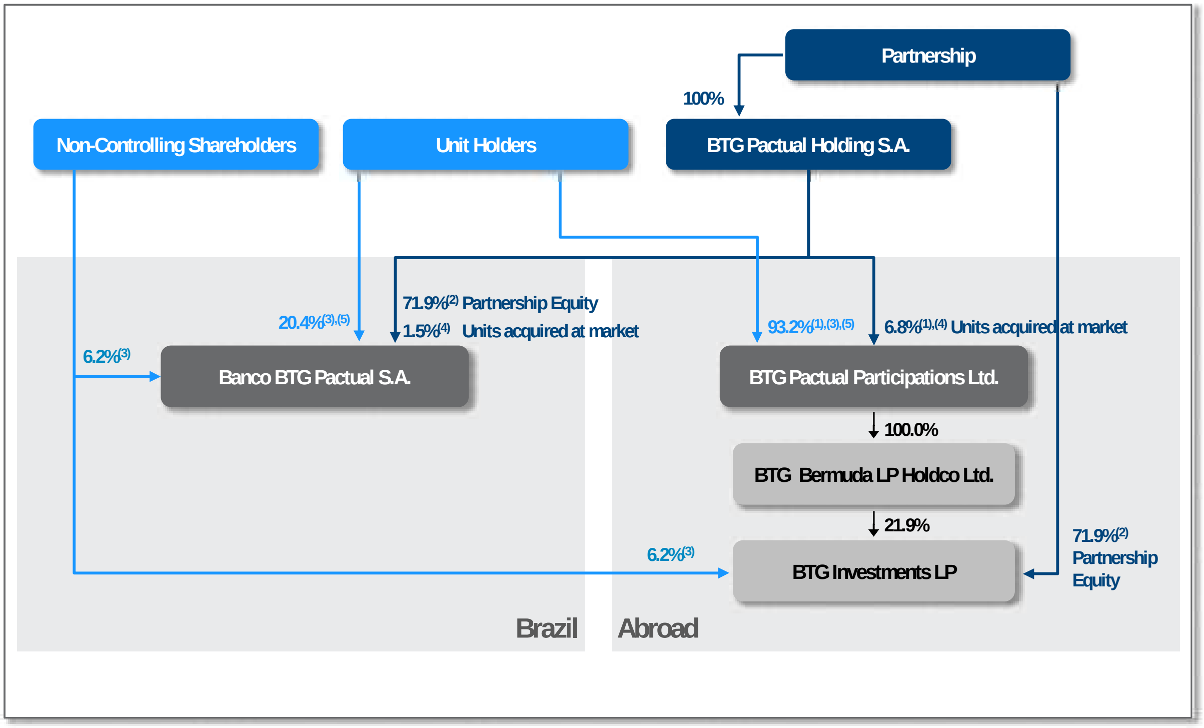
Sources: BNDES, Central Bank, IBGE and Economática.

(1) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
(2) *Taxa de Juros de Longo Prazo*, or TJLP, represents the long-term interest rate applied by BNDES for long-term financing (at the end of the period).
(3) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC (at the end of period).
(4) Calculated for 2010, 2011 and 2012 using the exchange rate for conversion of U.S. dollars into *reais* on December 31 as compared to January 1 of the same year.
(5) The selling exchange rate at the end of the period.
(6) Average of the selling exchange rates on the last day of each month during the period.
(7) The inflation rate is the general index of market prices (*Índice Geral de Preços – Mercado*) or IGP-M, as calculated by FGV.
(8) The inflation rate is the Consumer Price Index, as calculated by the IBGE.

SUMMARY

B.5 Structure of the Group

The diagram below depicts the simplified ownership structure of the BTG Pactual Group. For information regarding our principal subsidiaries, see "Business—Subsidiaries."



(1) Percentages in BTG Pactual Participations shown in the chart above reflect economic interests only through ownership of BPP Class A shares and BPP Class B shares. André Santos Esteves exercises control over BTG Pactual Participations through his indirect control of the BPP Class C share.
(2) Excludes the 2.3% purchased by the Participating Partners at the same time, and on the same terms, as the members of the Consortium in December 2010.
(3) The 6.2% ownership in BTGI is comprised of the following: 2.3% by the Participating Partners; 1.6% by (part of) the members of the Consortium; and 2.2% by former partners of Celfin and is convertible at any time, upon election of the Non-Controlling Shareholders, into shares of BTG Pactual Participations, at which time such interest would form part of the Units.
(4) Includes Units acquired by BTG Pactual Holding in the initial public offering (and thereafter in open market purchases), and as a result these Units are indirectly held by the Partners in proportion to their respective Partnership Equity interests.
(5) With respect to the 26.6% ownership in Banco BTG Pactual (i.e. 6.2% + 20.4%), such ownership is comprised of the following: 8.0% by members of the Consortium; 2.3% by the Participating Partners; 2.2% by former partners of Celfin; 0.3% by former partners of Bolsa y Renta; 0.6% (purchased as Units representing these shares) by the Merchant Banking Partnership, which is owned by the Partners in the same proportion as the Partnership Equity and controlled by André Santos Esteves; 0.2% by other investment vehicles which are wholly-owned or controlled by André Santos Esteves; and the remaining 13.1% is held by other Unit holders as part of the free float. With respect to the 93.2% ownership in BTG Pactual Participations, such ownership is comprised of the following: 29.0% by members of the Consortium; 2.5% by the Merchant Banking Partnership; 0.7% by other investment vehicles which are wholly-owned or controlled by André Santos Esteves; 1.2% by former partners of Bolsa y Renta; and the remaining 59.8% is held by other unit holders as part of the free float.

B.6 Major Shareholders

The tables below present the major shareholders of the entities as of September 20, 2013. See "Principal Shareholders" for further information.

Banco BTG Pactual

As of September 20, 2013, Banco BTG Pactual's outstanding capital stock was R$6,406,862,731.03, fully subscribed and paid-in, represented by 2,714,902,212 shares, all nominative, in book-entry form and without par value, consisting of 1,390,671,404 common shares, 508,380,404 Series A preferred shares and

815,850,404 Series B preferred shares. Banco BTG Pactual's capital stock can be increased (without requiring any amendment to its by-laws) up to the limit of 10,000,000,000 shares, subject to the limitation provided for in article 15, §2, of Brazilian Corporations Law (which restricts the number of preferred shares without voting rights to fifty percent of all issued shares), by resolution of Banco BTG Pactual's board of directors, which shall establish the issue price, the number of common shares and/or preferred shares to be issued and any additional conditions for the subscription and payment of such shares. Any increase in the capital stock of Banco BTG Pactual must be approved by the Central Bank.

The following table sets forth information as of September 20, 2013 relating to the ownership of Banco BTG Pactual's shares by (i) each beneficial owner of 5.0% or more of Banco BTG Pactual's preferred shares or common shares, (ii) the holders of Units that are part of the free float (excluding Units held, directly or indirectly, by Partners, BTG Pactual Holding, the Merchant Banking Partnership and members of the Consortium) as a group, (iii) the Participating Partners (other than Mr. Esteves) as a group, and (iv) the former partners of Celfin as a group and the former partners of Bolsa y Renta as a group. The table below does not account for any of Banco BTG Pactual's common shares or preferred shares that may be issued upon conversion of Banco BTG Pactual's Series B preferred shares into Series A preferred shares or common shares.

Principal Shareholder	**Common**	**Series A preferred**	**Series B preferred**
André Santos Esteves	1,165,273,391	57,584,379	815,850,404
Members of the Consortium	72,485,508	144,971,016	–
Participating Partners as a group (other than André Santos Esteves)	12,098,601	24,197,201	–
Former Celfin Partners as a group	19,865,336	39,730,672	–
Former Bolsa y Renta Partners as a group	2,302,068	4,604,136	–
Free float (as defined above)	118,646,500	237,293,000	–
Total	1,390,671,404	508,380,404	815,850,404

BTG Pactual Participations

As of September 20, 2013, there are 651,212,995 shares of capital stock of BTG Pactual Participations issued and outstanding, consisting of 198,511,396 BPP Class A shares, 397,022,792 BPP Class B shares, 1 BPP Class C share and 55,678,806 BPP Class D shares. Since the BPP Class C shares and BPP Class D shares are voting-only shares and have no economic rights in BTG Pactual Participations, the table below presents information relating to the shareholders that have more then 5.0% of the economic ownership in BTG Pactual Participations (represented by BPP Class A shares and BPP Class B shares). In addition, the following table sets forth information relating to the ownership of shares of BTG Pactual Participations as of the date of this Prospectus, by (i) the beneficial owner of the BPP Class C share, (ii) each beneficial owner of 5.0% or more of the BPP Class D shares, (iii) the former partners of Celfin as a group and the former partners of Bolsa y Renta as a group, and (iv) the holders of Units that are part of the free float (excluding Units held or controlled, directly or indirectly, by Partners, BTG Pactual Holding, the Merchant Banking Partnership, the members of the Consortium and the former partners of Celfin and Bolsa y Renta) as a group. The table below does not account for the consummation of any transactions that may be affected pursuant to the Withdrawal Agreements. See "Withdrawal Agreements."

	Number of BTG Pactual Participations Shares			
Principal Shareholder	**Class A**	**Class B**	**Class C**	**Class D**
André Santos Esteves	19,999,600	39,999,200	1	-
Members of the Consortium	57,563,228	115,126,456	-	14,922,280

Prince Investments, Ltd.	-	-	-	20,891,190
Former Celfin Partners	-	-	-	19,865,336
Former Bolsa y Renta Partners	2,302,068	4,604,136	-	-
Free-Float (as defined above)	118,646,500	237,293,000	-	-
Total	198,511,396	397,022,792	1	55,678,806

BTGI

As of September 20, 2013, there is 2,714,902,212 BTGI limited partnership interests issued and outstanding, consisting of 1,674,623,797 BTGI Class A partnership interests, 277,707,809 BTGI Class B partnership interests, 595,534,188 BTGI Class C partnership interests and 167,036,418 BTGI Class D partnership interests.

As is the case with Bermuda limited partnerships, the BTGI Partnership Agreement provides for the management of our business and affairs by a general partner rather than a board of directors. BTG Pactual Participations serves as the sole general partner of BTGI; however, pursuant to the bye-laws of BTG Pactual Participations, BTG Pactual Participations may not take certain actions in its capacity as the general partner of BTGI without the approval of the holder of the BPP Class C share.

The following table sets forth information relating to the ownership of each beneficial owner of 5.0% or more of the BTGI limited partnership interests. The table below does not account for the consummation of any transactions that may be affected pursuant to the Withdrawal Agreements. See "Withdrawal Agreements."

	Number of BTGI Partnership Interests			
Partner	**Class A**	**Class B**	**Class C**	**Class D**
André Santos Esteves	503,691,046	48,637,639	19,745,321	26,377,768
BTG Pactual Participations	-	-	595,534,188	-
Members of the Consortium	-	-	172,689,684	44,766,840
Participating Partners (other othan Mr. Esteves) as a group	-	-	-	36,295,802
Former Celfin Partners as a group	-	-	-	59,596,008
Partnership Equity (other than such equity held by Mr. Esteves)	1,170,932,751	229,070,170	-	-
Total	**1,674,623,797**	**277,707,809**	**595,534,188(1)**	**167,036,418**

(1) For purposes of reporting the total number of BTGI Class C partnership interests beneficially owned in the table above (and the corresponding total percentages of BTGI LP interests), the number of such interests that may be deemed to be beneficially owned by Mr. Esteves and the members of the Consortium have been ignored to avoid double counting since all of such interests are directly held by BTG Bermuda Holdco and indirectly held by BTG Pactual Participations and are reported in the table above as beneficially owned by BTG Pactual Participations.

B.7 Selected Historical Key Financial Information and Results of Operation

The following table shows key performance data on a combined basis for the periods indicated:

	As of and for the year ended December 31,			CAGR
	2010	**2011**	**2012**	**2010-2012**
	(in R$ millions, except as otherwise indicated)			%
Total revenue(1)	2,524.7	3,201.0	6,817.6	64.3%
Net income	1,127.2	1,921.7	3,255.6	70.0%

Shareholders' equity	7,346.4	8,540.1	14,145.0	38.8%
ROAE (%) (3)(4)	27.5%	24.2%	28.7%	-
AUM and AUA (in R$ billions) (2)	91.5	120.1	170.7	36.60%
WUM (in R$ billions) (2)	31.2	38.9	62.2	41.20%
BIS capital ratio	21.5%	17.7%	17.3%	-

(1) Derived from our unaudited adjusted income statement.
(2) Unaudited.
(3) We determine our average shareholders' equity based on the initial and final net equity for the period.
(4) Figures are presented on an annualized basis.

B.7.1 Banco BTG Pactual

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	**2011**	**2012**	**2012**
		(in R$ millions)		**(in US$ millions)**
Assets				
Cash and balances at Central Bank	1,622.5	1,391.4	1,024.4	501.3
Financial assets at fair value through profit or loss				
Financial assets held for trading................................	34,582.8	36,291.8	62,592.7	30,630.1
Financial assets designated at fair value through profit and loss..	23,269.8	7,728.6	6,324.1	3,094.7
Derivative financial instruments	3,329.7	3,271.9	9,993.9	4,890.6
Loans and receivables				
Open market investments...	1,854.0	10,895.8	15,726.9	7,696.1
Amounts receivable from banks.................................	86.7	958.6	1,917.8	938.5
Other loans and receivables..	4,238.3	8,278.5	10,324.5	5,052.4
Held-to-maturity financial assets...............................	-	3,788.5	4,100.4	2,006.6
Deferred tax assets	923.7	1,387.9	1,550.1	758.6
Other assets	2,746.5	6,900.9	6,998.7	3,424.9
Investment in associates and jointly controlled entities..	-	733.3	2,561.1	1,253.3
Property, plant and equipment	197.9	58.4	95.7	46.8
Intangible assets...	198.7	706.3	1,215.2	594.7
Total assets..	73,050.6	82,392.1	124,425.7	60,888.5
Liabilities and shareholders' equity				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	19,053.0	13,215.4	11,637.5	5,694.9
Derivative financial instruments	3,382.6	3,178.2	10,149.3	4,966.6
Financial liabilities carried at amortized cost				
Open market funding	30,800.2	29,949.2	49,064.9	24,010.2
Amounts payable to banks	338.9	576.4	627.1	306.9
Other financial liabilities carried at amortized cost....	11,891.9	22,850.8	30,993.3	15,166.8
Tax liabilities	570.0	759.9	1,535.2	751.3
Other liabilities...	1,476.2	5,316.8	9,975.7	4,881.7
Total shareholders' equity and non-controlling shareholders	5,537.7	6,545.5	10,442.8	5,110.3
Total liabilities	73,050.6	82,392.1	124,425.7	60,888.5

Selected Consolidated Income Statement (IFRS – audited)

	As of December 31,			
	2010	2011	2012	2012
		(in R$ millions)		(in US$ millions)
Interest income	1,789.4	3,112.5	3,870.5	1,894.1
Interest expense	(1,987.3)	(3,966.0)	(4,446.2)	(2,175.8)
Net interest income	(198.0)	(853.4)	(575.7)	(281.7)
Net gains on financial instruments	1,277.1	1,906.0	4,081.1	1,997.1
Net exchange variations	68.8	249.3	116.2	56.9
Fees and commissions	798.8	1,087.1	2,108.8	1,032.0
Share of profit in associates and jointly controlled entities	-	85.5	282.7	138.3
Other operating income/(expenses)	151.7	61.2	(121.9)	(59.7)
Net revenues	2,098.4	2,535.6	5,891.2	2,882.9
Administrative expenses	(255.2)	(355.5)	(636.6)	(311.5)
Personnel expenses	(457.1)	(740.2)	(1,542.2)	(754.7)
Provisions for credit losses	(7.0)	(30.0)	(468.3)	(229.2)
Tax charges (other then income tax)	(183.9)	(290.5)	(283.3)	(138.6)
Income before taxes and profit sharing	1,195.1	1,119.4	2,960.9	1,448.9
Income tax and social contribution	(379.6)	220.2	(806.8)	(394.8)
Net income for the year	815.6	1,339.6	2,154.1	1,054.1
Net income attributable to:				
Controlling shareholders	815.6	1,334.6	2,133.0	1,043.7
Non-controlling interests	-	5.0	21.1	10.3
Other comprehensive income				
Exchange differences on translation of foreign operations	(13.6)	200.8	132.8	65.0
Total comprehensive income for the year	801.9	1,540.4	2,286.9	1,119.1
Total comprehensive income attributed to:				
Controlling shareholders	801.9	1,535.4	2,265.7	1,108.8
Non-controlling interests	-	5.0	21.1	10.3

B.7.2 BTG Pactual Participations

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	2011	2012	2012
		(in R$ millions)		(in US$ millions)
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity and non-controlling interest	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

Selected Consolidated Income Statements (IFRS – audited)

	For the year ended December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Interest income	-	5.4	48.0	23.5
Interest expense	-	(23.4)	(88.9)	(43.5)
Interest income/expenses, net	-	(18.0)	(40.9)	(20.0)
Gains (losses) on financial instruments held for trading	-	273.8	637.9	312.1
Gains (losses) on financial assets available for sale	-	-	546.9	267.6
Share of profit of associates and joint ventures	-	-	(5.5)	(2.7)
Fees and commission	-	99.9	-	-
Other income	-	24.3	43.5	21.3
Total income	-	379.9	1,181.9	578.4
Administrative expenses	-	(122.1)	(207.6)	(101.6)
Personnel expenses	-	(74.9)	-	-
Other expenses	-	(10.9)	(63.4)	(31.0)
Total expenses	-	(207.9)	(271.0)	(132.6)
Net income for the year	-	171.9	910.9	445.8
Net income attributed to:				
Controlling shareholders	-	-	58.7	28.7
Non-controlling shareholders	-	171.9	852.1	417.0
Other comprehensive income				
Financial assets available for sale	-	-	(14.2)	(6.9)
Translation adjustments	-	291.6	322.9	158.0
Total comprehensive income for the year	-	463.5	1,219.7	596.9
Total comprehensive income attributed to:				
Controlling shareholders	-	-	89.3	43.7
Non-controlling shareholders	-	463.5	1,130.3	553.1

B.7.3 BTGI

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

Selected Consolidated Income Statements (IFRS – audited)

	For the year ended December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Interest income	54.8	5.4	48.0	23.5
Interest expense	(54.1)	(23.4)	(88.9)	(43.5)
Interest income/expenses, net	0.7	(18.0)	(40.9)	(20.0)
Gains (losses) on financial instruments held for trading	452.2	273.8	637.9	312.2
Gains (losses) on financial assets available for sale	-	-	546.9	267.6
Share of profit of associates and joint ventures	-	-	(5.5)	(2.7)
Fees and commission	116.7	99.9	-	-
Other income	2.7	24.3	43.5	21.3
Total income	572.3	379.9	1,181.9	578.4
Administrative expenses	(141.3)	(122.1)	(207.6)	(101.6)
Personnel expenses	(97.0)	(74.9)	-	-
Other expenses	(17.8)	(10.9)	(63.4)	(31.0)
Total expenses	(256.1)	(207.9)	(271.0)	(132.6)
Net income for the year	316.2	171.9	910.9	445.8
Other comprehensive income				
Financial assets available for sale	-	-	(14.2)	(6.9)
Translation adjustments	(71.7)	291.6	322.9	158.0
Total comprehensive income for the year	244.5	463.5	1,219.7	596.9

B.7.4 The BTG Pactual Group

Selected Combined Balance Sheet (Brazilian GAAP – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Assets				
Cash and bank deposits	1,725.3	545.5	608.9	298.0
Interbank investments	31,295.7	22,578.9	23,980.1	11,734.8
Marketable securities and derivatives	53,509.7	62,036.6	98,439.8	48,172.2
Interbank transactions	134.1	876.7	475.0	232.4
Loans	4,049.8	5,041.3	7,990.4	3,910.2
Other receivables	11,895.9	19,977.4	15,184.7	7,430.7
Other assets	42.5	27.1	36.0	17.6
Permanent asset	403.0	1,405.4	4,068.3	1,990.8
Total assets	103,056.1	112,488.9	150,783.2	73,786.7
Liabilities				
Deposits	10,573.5	14,137.7	14,605.9	7,147.5
Open market funding	49,729.5	48,977.4	74,044.5	36,234.2
Funds from securities and accepted	1,305.7	3,774.6	8,480.1	4,149.8
Interbank transactions	0.0	0.0	0.4	0.2
Loans and onlendings	722.7	1,027.1	2,191.0	1,072.2
Derivatives	2,219.6	3,181.5	8,628.7	4,222.5
Subordinated liabilities	0.0	4,158.3	6,246.1	3,056.6
Other liabilities	31,134.3	28,448.4	22,241.5	10,884.0
Deferred income	24.3	31.6	111.9	54.8
Shareholders' equity	7,346.4	8,540.1	14,145.0	6,921.9
Non-controlling interest	0.0	212.2	88.1	43.1
Total liabilities	103,056.1	112,488.9	150,783.2	73,786.7

Selected Combined Income Statements (Brazilian GAAP – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Financial income	4,044.5	6,627.1	10,025.3	4,905.9
Loans	369.1	1,014.3	1,373.7	672.2
Securities	3,279.8	5,322.1	8,046.0	3,937.4
Derivative financial instruments	326.8		426.0	208.5

Foreign Exchange	68.9	249.6	116.5	57.0
Mandatory investments	-	41.1	63.2	30.9
Financial expenses	(2,482.6)	(4,577.2)	(5,313.8)	(2,600.3)
Funding operations	(2,503.4)	(4,018.8)	(4,258.0)	(2,083.7)
Borrowing and onlending	27.8	(524.2)	(587.5)	(287.5)
Derivative financial instruments	-	(4.2)	-	-
Allowance for loan losses and other receivables	(7.0)	(30.0)	(468.3)	(229.2)
Net financial income	1,561.9	2,049.8	4,711.5	2,305.6
Other operating income (expenses)	221.9	107.7	242.9	118.9
Income from services rendered	819.7	1,115.3	2,003.5	980.4
Personnel expenses	(278.1)	(395.4)	(606.0)	(296.6)
Other administrative expenses	(306.2)	(382.6)	(666.9)	(326.4)
Tax charges	(196.3)	(290.5)	(286.6)	(140.2)
Equity in the earnings of associates and jointly controlled	-	(3.5)	240.3	117.6
Other operating income	243.6	167.8	153.4	75.1
Other operating expenses	(60.8)	(103.5)	(594.9)	(291.1)
Operating income	1,783.8	2,157.5	4,954.4	2,424.5
Non-operating income (expenses)	(24.8)	9.2	(12.0)	(5.9)
Income before taxation and profit sharing	1,759.0	2,166.7	4,942.4	2,418.6
Income tax and social contribution	(380.7)	200.4	(727.5)	(356.0)
Provision for income tax	(71.1)	(125.6)	(607.5)	(297.3)
Provision for social contribution	(39.7)	(54.6)	(285.7)	(139.8)
Deferred income tax and social contribution	(269.9)	380.6	165.7	81.1
Statutory profit sharing	(251.1)	(440.4)	(938.2)	(459.1)
Non-controlling interest	-	(5.0)	(21.1)	(10.3)
Net income for the year	1,127.2	1,921.7	3,255.6	1,593.1
Interest on equity	(15.4)	(319.0)	(440.0)	(215.3)

Adjusted Income Statement (Unaudited)

	For the year ended December 31,			
	2010	**2011**	**2012**	**2012**
	(in R$ millions)			**(in US$ millions)**
Investment banking	358.3	376.7	448.0	219.2
Corporate lending	251.1	366.4	564.6	276.3
Sales and trading	658.6	1,012.2	1,517.3	742.5
Asset management	374.5	507.1	1,190.2	582.4
Wealth management	106.8	149.7	201.7	98.7
PanAmericano	–	(52.0)	(244.5)	(119.6)
Principal investments	484.0	181.6	2,338.2	1,144.2
Interest and other	191.4	659.3	802.0	392.5
Total Revenues	2,424.7	3,201.0	6,817.6	3,336.2
Bonus	(257.3)	(521.0)	(1,168.6)	(571.9)
Retention expenses	(65.7)	(40.3)	(5.9)	(2.9)
Salaries and benefits	(192.2)	(236.4)	(326.0)	(159.5)
Administrative and others	(259.1)	(327.2)	(539.5)	(264.0)
Goodwill amortization	(8.4)	(31.2)	(467.4)	(228.7)
Tax expenses	(133.9)	(181.2)	(241.4)	(118.1)
Total operating expenses	(916.6)	(1,337.3)	(2,748.8)	(1,345.1)
Earnings before taxes	1,508.1	1,863.7	4,067.7	1,990.6
Income tax	(381.0)	57.9	(812.2)	(397.5)
Net income	1,127.2	1,921.7	3,255.6	1,593.1

B.8 Selected Key Pro Forma Financial Information

Not applicable.

B.9 Profit Forecast

Not applicable. The Issuer does not present a profit forecast in this Prospectus.

B.10 Qualifications in the Audit Report

Banco BTG Pactual's, BTG Pactual Participations' and BTGI's financial statements included elsewhere in this Prospectus include emphasis paragraphs. Please refer to information under "Presentation of Financial and Other Information."

Ernst & Young Terco Auditores Independentes S.S. has not performed an audit or review of BTGI's and Banco BTG Pactual's financial statements prepared in accordance with IFRS for the six-month period ended June 30, 2013.

B.11 Working Capital

We believe that the working capital of Banco BTG Pactual and BTG Pactual Participations is sufficient for their respective current requirements; that is, for at least 12 months following the date of this Prospectus.

Section C—Securities

C.1 Type and Class of Securities Admitted

Each European Unit represents: (i) one Banco common share and two Banco Series A preferred shares, in the form of Global Depositary Shares ("GDSs"), and (ii) one BPP Class A voting common share (each a "BPP A Share") and two BPP Class B non-voting common shares (each a "BPP B Share" and together with the BPP A Shares, collectively, the "BPP Shares").

The European Unit will trade and be listed under the symbol BTGP. The common code for the European Unit is 077626751. The international securities identification number for the European Units is US05890C3034.

The GDS representing one Banco common share will be listed under the symbol BTGB. The common code for the GDS representing one Banco common share is 077615890. The international securities identification number for the GDS representing one Banco common share is US05890C1053.

The GDS representing one Banco Series A preferred share will be listed under the symbol BTGA. The common code for the GDS representing one Banco Series A preferred share is 077625569. The international securities identification number for the GDS representing one Banco Series A preferred share is US05890C2044.

The BPP A Share will be listed under the symbol BPPA. The common code for the BPP A Share is 077626450. The international securities identification number for the BPP A Share is BMG166341005.

The BPP B Share will be listed under the symbol BPPB. The common code for the BPP B Share is 07762656. The international securities identification number for the BPP B Share is BMG166341187.

The European Units will commence trading on NYSE Euronext Amsterdam on the admission date, which is expected to be on or about October 10, 2013. It is not expected that the GDSs or the BPP Shares will become separately tradeable on NYSE Euronext Amsterdam.

C.2 Currency of the Securities

The European Units are denominated in Euro. The GDSs and BPP Shares are denominated in U.S. dollars.

C.3 Share Capital

As of September 20, 2013, Banco BTG Pactual's capital stock was R$6,406,862,731.03, fully subscribed and paid-in, represented by 2,714,902,212 shares, all nominative, in book-entry form and without par value, consisting of 1,390,671,404 Banco common shares, 508,380,404 Banco Series A preferred shares and 815,850,404 Banco Series B preferred shares. Under Banco BTG Pactual's by-laws, it may increase its capital stock up to the authorized limit (10,000,000,000 shares), irrespective of any amendments to its by-laws, upon a resolution of its board of directors; provided that the total number of preferred shares cannot exceed 50% of the total number of its outstanding shares.

The authorized share capital of BTG Pactual Participations is US$7,000.00 and includes BPP Class A shares, par value $0.0000000001 per share, BPP Class B shares, par value $0.0000000001 per share, one BPP Class C share, par value $10.00 per share, and BPP Class D shares, par value $0.0000000001 per share.

As of September 20, 2013, there are 198,511,396 fully paid BPP Class A shares issued and outstanding, 397,022,792 fully paid BPP Class B shares issued and outstanding, 55,678,806 fully paid BPP Class D shares issued and outstanding and one fully paid BPP Class C share issued and outstanding.

C.4 Rights Attaching to the Securities

Voting Rights

Holders of European Units are entitled to cast two votes: (i) one vote at any annual or extraordinary shareholders' meeting of Banco BTG Pactual and (ii) one vote at any meeting of shareholders at which the holders of all voting shares of BTG Pactual Participations are entitled to vote or which requires the approval of the BPP Class A shares or BPP Class D shares, as applicable, to vote as a single class, per European Unit. These votes are derived from the inclusion of one Banco common share (in Banco BTG Pactual) and one BPP Class A voting common share (in BTG Pactual Participations) in each European Unit. As of the date of this Prospectus, there are 1,390,671,404 Banco common shares and 198,511,396 BPP Class A shares issued and outstanding.

It is noted that, with respect to BTG Pactual Participations shareholders, the BPP Class C share entitles its holder (currently BTG GP) to a number of votes equal to ten times the aggregate number of BPP Class A shares, BPP Class B shares and BPP Class D shares issued and outstanding at any given time. The holder of the BPP Class C share is entitled to vote at any general meeting of shareholders as well as at any meeting at which the holder of the BPP Class C share is voting as a single class.

In addition, Brazilian Corporations Law sets forth that shares without voting rights or shares with restricted rights, including the Banco preferred shares, shall be granted unrestricted voting rights if the issuer fails to distribute, during three consecutive fiscal years, the minimum dividend required pursuant to the Banco BTG Pactual by-laws, until the respective distributions are made.

Subject to applicable law and the by-laws of Banco BTG Pactual and the bye-laws of BTG Pactual Participations, you may instruct the European Unit depositary to vote the number of deposited securities your European Units represent. The European Unit depositary will notify you of shareholders’ meetings of Banco BTG Pactual and BTG Pactual Participations at which the underlying securities have voting rights and arrange to deliver our voting materials to you if we ask it to do so. Those materials will describe the matters to be voted on and explain how you may instruct the European Unit depositary to vote. For instructions to be valid, they must reach the European Unit depositary by a date set by the European Unit depositary. The European Unit depositary will try, to the extent practical, to vote the number of deposited securities represented by your European Units as you instruct. The European Unit depositary will only vote or attempt to vote as you instruct.

Economic Rights

European Unit holders will be entitled to receive the economic benefits they would receive if they were direct holders of the BPP Class A shares, BPP Class B shares and the GDSs underlying the European Units, subject to the limitations provided under the European Unit deposit agreement and the GDS deposit agreements. Notwithstanding the below, the European Unit depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any European Unit holders. We have no obligation to register European Units or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of any securities to European Unit holders. ***This means that you may not receive the distribution we make on our securities or any value for them if it is illegal or impractical for us to make them available to you.***

Dividends

Subject to certain limitations, we intend to make annual dividend distributions to the holders of our Units in an amount equivalent to 25% of our combined net income, as reported in our combined financial statements prepared in accordance with Brazilian GAAP. These dividend distributions may be made by either Banco BTG Pactual or BTG Pactual Participations, or both, as determined by our management, and will not depend on the net income or other performance indicators of Banco BTG Pactual and BTG Pactual Participations considered on a stand-alone basis.

Rights Upon Liquidation

European Units entitle their holders to the right to participate, in proportion to each holder's share of Banco BTG Pactual's capital stock, in the distribution of any remaining assets in the event of liquidation of Banco BTG Pactual.

In the event of the winding-up or dissolution of BTG Pactual Participations, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, (i) the holders of BPP Class A shares and BPP Class B shares are entitled to share equally and ratably in the surplus assets of BTG Pactual Participations and (ii) the holder of the BPP Class C share is entitled to share in the surplus assets of BTG Pactual Participations but only up to the amount of its paid in capital.

Preemptive Rights

In the event that each of Banco BTG Pactual and BTG Pactual Participations offers preemptive rights with respect to the securities underlying the European Units that, upon exercise, would permit the issuance of new European Units, each European Unit holder may be offered the right to instruct European Unit depositary to subscribe for that holder's proportionate share of those additional underlying securities and to receive corresponding new European Units, provided that BTG Pactual Participations and Banco BTG Pactual, as the case may be, furnish European Unit depositary with satisfactory evidence that exercise of such preemptive rights by the European Unit holders is legal. In these cases, such unit holder must pay to European Unit depositary the necessary funds required for the subscription of those additional European Units and pay the fees and applicable taxes in connection therewith.

Capital Calls

Holders of European Units are not subject to any further capital calls by either Banco BTG Pactual or BTG Pactual Participations.

C.5 Restrictions on Free Transferability of the Securities

We shall not be obligated to recognize any resale or other transfer of Units or underlying securities made other than in compliance with this Prospectus and applicable laws.

We are not registered as an investment company under the U.S. Investment Company Act, and the Units and underlying securities have not been registered under the Securities Act. They may not be offered or sold within the United States except in a transaction that:

1. is in compliance with the registration requirements of the Securities Act and all applicable securities laws in the states of the United States;
2. is exempt from, or is not subject to, the registration requirements of the Securities Act and any applicable securities laws of the states of the United States; and
3. is neither prohibited by the Investment Company Act nor would require our company to register as an investment company under the Investment Company Act.

In addition, holders of our Units and underlying securities may not be able to exercise the preemptive rights or subscription rights relating to the shares of Banco BTG Pactual and BTG Pactual Participations, as well as receive securities distributed by us or vote on transactions that would result in the delivery of such securities, unless an exemption from the registration requirements of the Securities Act is available or a registration statement under the Securities Act is effective with respect to those rights. We are not obligated to file a registration statement with respect to any units, shares or rights distributed by us, and we may not file such a registration statement.

Any person who purchases Units, underlying securities or any interest therein on NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange), as well as through book-entry transfers on

Euroclear and Clearstream, will be deemed to have represented, agreed and acknowledged as set forth in "—Deemed Representations of U.S. Purchasers" or "—Deemed Representations of non-U.S. Purchasers," as the case may be.

In the event of a transfer or resale of any Units, underlying securities or any interest therein which is not made (i) on NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange) or (ii) through book-entry transfers on Euroclear and Clearstream, to a purchaser, such purchaser shall execute a U.S. Purchaser's Letter or Non-U.S. Purchaser's Letter, as the case may be, addressed to the Issuers and the relevant depositary, in which such purchaser (i) agrees not to deposit the Units into an unrestricted American depositary receipt facility and (ii) represents, agrees and acknowledges to (A) as set forth in "—Deemed Representations of U.S. Purchasers" or "Deemed Representations of non-U.S. Purchasers," as the case may be, and (B) as follows:

1. the purchaser will not transfer the Units, underlying securities or any interest therein to any person or entity, unless such person or entity could itself truthfully make the representations and covenants set forth in the U.S. Purchaser's Letter or the Non-U.S. Purchaser's Letter; and
2. the purchaser will provide notice of the transfer restrictions to any subsequent transferees.

In the event that Banco BTG Pactual, BTG Pactual Participations or the transfer agent determines in good faith that a holder or beneficial owner of the Units and underlying securities is in breach, at the time given, of any of the representations or agreements required, Banco BTG Pactual or BTG Pactual Participations or the transfer agent, as the case may be, may require such acquirer or beneficial owner to transfer such Units and underlying securities or beneficial interests therein to a transferee acceptable to Banco BTG Pactual or BTG Pactual Participations, as the case may be, who is able to and who does make all of the representations and agreements set forth in these transfer restrictions.

C.6 Admission

The Brazilian Units are admitted to trading and listing on the São Paulo Stock Exchange (*BM&FBOVESPA*) and the European Units are currently admitted to trading on NYSE Alternext Amsterdam, the multilateral trading facility operated by Euronext Amsterdam. We have applied for the European Units to be admitted to trading and listing on NYSE Euronext Amsterdam, the regulated market operated by Euronext Amsterdam.

C.7 Dividend Policy

Subject to certain limitations, we intend to make annual dividend distributions to the holders of our Units in an amount equivalent to 25% of our combined net income, as reported in our combined financial statements prepared in accordance with Brazilian GAAP. These dividend distributions may be made by either Banco BTG Pactual or BTG Pactual Participations, or both, as determined by our management, and will not depend on the net income or other performance indicators of Banco BTG Pactual and BTG Pactual Participations considered on a stand-alone basis.

C.13 Information about the Underlying Shares

Please refer to the information under C.1, C.2, C.3, C.4, C.5, C.6 and C.7 above.

C.14 Information about the Depositary Receipts

Please refer to the information under C.1, C.2, C.4 and C.5 above.

Section D—Risks

D.1/D.4 Risks Relating to the Issuer and Its Industry/Information about the Issuer of the Underlying Shares

An investment in our Units involves substantial risks and uncertainties. These risks and uncertainties include, among others, those listed below.

Risk Factors Relating to Our Business:

- We may incur significant losses from our trading and investment activities due to market fluctuations and volatility.
- We depend on our Senior Management Team and the departure of any member of this team could adversely affect our ability to execute our business strategies and investment policies and continue to grow.
- Our ability to retain our professionals is critical to our success and our ability to grow and continue to compete effectively may depend on our ability to attract additional Partners and key professionals.
- Holding large and concentrated positions may expose us to large losses.
- Our securities and derivative financial instruments are subject to market price and liquidity variations due to changes in economic conditions and may produce material losses that may adversely affect us.
- Our investment banking revenues may decline in adverse market or economic conditions.
- Our investment banking advisory assignments do not necessarily lead to subsequent assignments.
- Our asset management and wealth management business units may be affected by the poor investment performance of our investment products.
- We may generate lower revenues from asset and wealth management fees in a market downturn.
- We are seeking to expand our merchant banking and real estate investments and our private equity activities but we may not be able to successfully execute these investments or realize gains from these investments.
- We are vulnerable to disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of the recent financial crisis.
- We are exposed to certain risks that are particular to emerging and other markets.
- Changes in base interest rates by the Central Bank could adversely affect us.
- Our ability to expand internationally will depend on our ability to compete successfully with financial institutions overseas.
- We may not be able to successfully execute strategic acquisitions or realize expected benefits from acquisitions.
- We face enhanced risks as new business initiatives lead us to transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.
- The financial services industry is intensely competitive.
- We face increased competition due to a trend toward consolidation.
- Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to unidentified or unanticipated risks.
- Past performance may not be indicative of our future results.
- Our combined adjusted income statement presented in this Prospectus was not prepared in accordance with Brazilian GAAP or IFRS, is not indicative of our results of operations and should not be considered in isolation or as an alternative to the financial statements included in this Prospectus.
- An inability to access financing or to sell assets could impair our liquidity.
- A reduction in our credit ratings could adversely affect our liquidity and competitive position and increase our borrowing costs.
- We may suffer significant losses from our credit exposures.
- Defaults by other financial institutions could adversely affect financial markets generally and us specifically.
- We may experience increases in our level of past due loans as our portfolio of credit products and derivatives increases.

- We are subject to several operating risks inherent to our businesses.
- Legal and regulatory risks are inherent and substantial in our businesses.
- Extensive regulation of our businesses may limit our activities and negatively affect us.
- Misconduct by our personnel could harm us and is difficult to detect and deter.
- Legal restrictions on our clients may reduce the demand for our services.
- Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our recent acquisition of a co-controlling interest in Banco PanAmericano or Banco PanAmericano's acquisition of BFRE could have a material adverse effect on us.
- We co-control Banco PanAmericano with CaixaPar, which may have interests that differ from ours.

Risk Factors Relating to Brazil:

- The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us.
- Exchange rate instability may adversely affect us.
- Inflation, and the Brazilian government's measures to curb inflation, may contribute to economic uncertainty in Brazil, adversely affecting us.
- Our clients' and counterparties' ability to make timely payments may be restricted by liquidity constraints in Brazil.

Risk Factors Relating to the Regulatory Environment:

- Changes in the regulation of operations of Brazilian banks may adversely affect us.
- Changes in regulations regarding reserve and compulsory deposit requirements may adversely affect us.
- Minimum capital adequacy requirements imposed on us following the implementation of the Basel III Accord may negatively impact our results of operations and financial condition.
- The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business.
- The proposed Volcker Rule of the U.S. Dodd-Frank Act could have a potential impact on the liquidity of the Units.
- If any of the issuers were deemed an "investment company" required to register as such under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.
- If any of the issuers were deemed to be an "alternative investment fund" (*alternatieve beleggingsinstelling*) within the meaning of the FMSA and AIFM Directive, as defined below, we may be required to obtain a license in the Netherlands or in another member state of the European Economic Area and need to comply with ongoing requirements applicable to licensed alternative investment funds.
- Limits on bank loan interest rates could have a negative effect on our business, financial condition and results of operations.

D.3/D.5 Risks Relating to the Securities/Information about the Depositary Receipts

Risk Factors Relating to the Listing and Our Units

- We are controlled by our controlling shareholder, whose interests may differ from those of Unit holders.
- The Units represent ownership interests in two distinct legal entities with no obligation to provide financial support to the other.
- The market price for our Units reflects the combined performances of two distinct entities and does not reflect the stand-alone performance of these entities.
- Holders of our Units may face difficulties in serving process on or enforcing judgments against Banco BTG Pactual, BTG Pactual Participations and other relevant persons.

- The sale of a significant number of our Units may adversely affect the trading price of our Units.
- We may not pay dividends to Unit holders.
- We may change or terminate the agreements governing the Units, the BDRs and the GDSs by negotiating with the respective depositaries without the consent of the holders of Units, BDRs or GDSs, as applicable.
- European Unit holders will not be entitled to special tender offer rights provided in the by-laws of Banco BTG Pactual or the bye-laws of BTG Pactual Participations at a price per share, which they would otherwise be entitled to receive if they held Brazilian Units.
- You may face difficulties in exercising your voting rights or other rights relating to the Units.
- Banco BTG Pactual may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. investors.
- We expect BTG Pactual Participations to be classified as a PFIC for U.S. federal income tax purposes.
- The U.S. federal income tax consequences of the purchase, ownership and disposition of a Unit are unclear.
- Your ability to invest in our Units or to transfer any Units that you hold may be limited by certain considerations under the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the U.S. Internal Revenue Code of 1986, as amended (the "Code") and other considerations.

Section E—Offer

E.1 Net Proceeds and Estimated Expenses of the Capital Raising

Not applicable. We will not receive any proceeds in connection with the listing of the European Units and the underlying securities on NYSE Euronext Amsterdam.

E.2a Reasons for the Capital Raising and Use of Proceeds

Not applicable. We will not receive any proceeds in connection with the listing of the European Units and the underlying securities on NYSE Euronext Amsterdam.

E.3 Principal Terms of the Capital Raising

Not applicable.

E.4 Description of Any Interest Material to the Capital Raising

Not applicable.

E.5 Selling Shareholders and Lock-up Agreements

Not applicable.

E.6 Amount of Immediate Dilution Resulting from the Offer

Not applicable.

E.7 Estimated Expenses Charged to the Investor by the Issuer

Not applicable. There will be no charge to investors for the Listing.

RISK FACTORS

Before investing in European Units, you should consider carefully all of the information in this Prospectus, including the following specific risks and uncertainties in addition to the other information set out in this Prospectus. If any of the following risks actually occurs, our business, results of operations or financial condition could be materially adversely affected. In that event, the value of the European Units could decline and you might lose part or all of your investment. Although we believe that the risks and uncertainties described below are all material risks and uncertainties facing our business and the European Units, there may be additional risks and uncertainties relating to us or the European Units. Additional risks and uncertainties not presently known to us or that we currently deems not to be material, could become material in the future.

You should read the detailed information set out elsewhere in this Prospectus and should form your own view before making an investment decision with respect to any European Units. Furthermore, before making an investment decision with respect to any European Units, you should consult your own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the European Units and consider such an investment decision in light of your personal circumstances.

Risk Factors Relating to Our Business and Industry

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

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

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

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

Any member of our Senior Management Team may leave us to establish or work in businesses that compete with ours. In addition, if any member of our Senior Management Team joins an existing competitor or forms a competing firm, some of our clients could choose to use the services of that competitor. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our

Senior Management Team are sufficiently broad or effective to prevent them from resigning in order to join or establish a competitor or that the non-competition agreements would be upheld in a court of law if we were to seek to enforce our rights thereunder. See "Our Partnership—Partner Non-Competition Agreements." We also do not maintain key man life insurance for any member of our Senior Management Team. In addition, the Central Bank recently issued Resolution 3,921, which regulates and imposes limits on the remuneration of directors of financial institutions.

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

Our most important asset is our people, and our continued success (including our ability to compete effectively in our businesses) is highly dependent upon the efforts of all of our Partners (and, most importantly, our Senior Management Team). As a result, our growth and future success depends to a substantial degree on our ability to retain and motivate our Partners and other key professionals and to strategically recruit, retain and motivate new talent, including new Partners and key professionals. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. In addition, since January 1, 2012, financial institutions and other institutions authorized to operate by the Central Bank are required to comply with certain rules adopted by the Central Bank regarding the compensation of its directors. Our ability to attract, retain and motivate such personnel is dependent on our ability to offer highly attractive incentive opportunities. The incentives that we provide or offer to such personnel may not be effective to attract, retain and motivate such personnel.

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

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

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

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

RISK FACTORS

Our investment banking revenues may decline in adverse market or economic conditions.

Unfavorable financial or economic conditions, both in Brazil and elsewhere, would likely reduce the number and size of transactions in which we provide underwriting, mergers and acquisitions advisory and other services. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities; outbreaks of hostilities or other geopolitical instability; corporate, political or other scandals that reduce investor confidence in capital markets; or a combination of these or other factors.

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

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

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

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

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

We may generate lower revenues from asset and wealth management fees in a market downturn.

A market downturn could lead to a decline in the volume of transactions that we execute for our clients and, therefore, the revenues we receive from our asset and wealth management operations could decline. In addition, a market downturn may increase redemptions from clients migrating assets to more traditional and less risky classes of assets or reduce the value of clients' portfolios. Because the fees that we charge for managing our clients' portfolios are in many cases based on the value of those portfolios, any of these factors could reduce the revenue we receive from our asset and wealth management operations.

We are seeking to expand our merchant banking and real estate investments and our private equity activities but we may not be able to successfully execute these investments or realize gains from these investments.

We are seeking to expand our portfolio of merchant banking and real estate investments and our private equity activities by making equity investments directly in, or setting up private equity and similar funds to invest in, various companies and assets, including companies operating in the Brazilian real economy and infrastructure and real estate sectors. BTGI is the vehicle for many of our principal investments, including merchant banking activities. Banco BTG Pactual also makes certain of these merchant banking investments and serves as the asset manager for our private equity, infrastructure and real estate activities. Our ability to increase merchant banking investments and private equity infrastructure and real estate activities is subject to a number of uncertainties, including adverse market or economic conditions, our ability to raise third party funds, competition from other investors, and the ability to identify opportunities and negotiate terms with counterparties. In addition, less public information exists about privately held companies, and we will be required to rely on the ability of our investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to obtain all material information about these companies, we may not be able to make a fully informed investment decision, and we may lose our money or the money of our third-party investors on such investments. It takes a substantial period of time to identify, negotiate and consummate attractive merchant banking, real estate or private equity opportunities and to successfully identify and implement growth and managerial strategies for our portfolio companies. These factors could affect our investment returns and the performance fees we earn from third party investors.

We intend to acquire control, joint control or minority positions in medium to large companies, and some of them may require changes in their management or business model. We may have difficulties in identifying attractive acquisition targets, or we may be unable to acquire desired businesses or assets on economically acceptable terms. Overleveraged, distressed, underperforming or small regional or family-owned businesses will also be considered. Such businesses will be subject to increased exposure to adverse economic factors such as a significant rise in local interest rates, a severe downturn in the relevant country’s economy or deterioration in the condition of such portfolio company or its industry. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors.

We expect the majority of our merchant banking and private equity, infrastructure and real estate investments to be in Brazil, but may expand these activities to other countries, particularly following our recent acquisitions of Celfin and Bolsa y Renta. We may be unable to replicate our previous success in these areas in Brazil in other countries where we have less experience and a less extensive network of business contacts.

Because most of our merchant banking and private equity, infrastructure and real estate investments may be in securities that are not publicly traded, the disposition process may take several years and the values realized may be unfavorable. In certain market environments, such as times of market volatility or uncertainty, overall market liquidity may decline and we may be unable to dispose of such securities, or we may have to sell assets at depressed prices, which could adversely affect us. Our ability to sell securities may be impaired by other market participants seeking to sell similar assets into the market at the same time. Accordingly, we may not be able to realize gains from our merchant banking investments or receive performance fees from the private equity infrastructure and real estate funds we manage and, consequently, we could be adversely affected. In addition, any gains that we do realize on the disposition of any equity interest may not be sufficient to offset any other losses we experience.

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

The global financial markets deteriorated sharply beginning in the second half of 2008, resulting in a credit and liquidity crisis that began to ease following the second quarter of 2009. A number of major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, experienced significant difficulties. In particular, banks in many markets faced decreased liquidity or a complete lack of liquidity, rapid deterioration of financial assets on their balance sheets and resulting decreases in their capital ratios that severely constricted their ability to engage in further lending activity. We routinely transact with such institutions as trading counterparties in various agreements and contracts in the financial services industry, as well as brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. If significant financial counterparties continue to experience liquidity problems or the financial services industry in general is unable to fully recover from the effects of the crisis, it could have an adverse effect on us.

In addition, the financial condition of our borrowers has, in some instances, been adversely affected by the financial and economic crisis, which has in turn increased our non-performing loans, impaired our loans and other financial assets and resulted in decreased demand for borrowings in general. In addition, some of our counterparties may also suffer losses as a result of the debt crisis in Europe. Additional disruption and volatility in the global financial markets could have further negative effects on the financial and economic environment. In addition, a prolonged economic downturn would result in a general reduction in business activity and a consequent loss of income. Any such ongoing disruption or reduction in business activity could have an adverse effect on us.

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

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

Changes in base interest rates by the Central Bank could adversely affect us.

A significant portion of our business is conducted in Brazil, where the Central Bank's Monetary Policy Committee *(Comitê de Política Monetária)*, or COPOM, establishes the target base interest rate for the Brazilian banking system, and uses changes in this rate as an instrument of monetary policy. The base interest rate is the benchmark interest rate payable to holders of certain securities issued by the Brazilian government and traded in the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*), or SELIC. In recent years, the base interest rate, or the SELIC rate, has fluctuated, reaching approximately 45% per annum in March 1999 and falling to 15.25% per annum in January 2001. Since 2001, the Central Bank has frequently adjusted the SELIC rate, with several increases made in response to economic uncertainties. In 2006, the Central Bank gradually reduced the SELIC rate, which reached 11.25% as of December 31, 2007. Largely in response to accelerating economic activity, the COPOM began raising the target SELIC rate again and in September 2008, the SELIC rate was 13.75%. However, as a response to the 2008 global financial crisis, the COPOM lowered the target SELIC rate in 2009 and, as of December 31, 2009, the SELIC rate was 8.75%. Following the improvement in economic conditions in Brazil in 2010, the COPOM increased the target SELIC rate and, as of December 31, 2010, the SELIC rate was 10.75%. In 2011, the COPOM continued to increase the SELIC rate, which reached 11.0% as of December 31, 2011. In 2012, COPOM reversed the recent increases to the SELIC rate, and as of December 31, 2012, the SELIC rate was lowered to 7.25%.

Increases in the base interest rate typically enable us to increase financial margins. However, these increases could adversely affect us by, among other effects, reducing demand for our credit and investment products, increasing our cost of funds and increasing the risk of client default. Decreases in the base interest rate could also adversely affect us by, among other effects, decreasing the interest income we earn on our interest-earning assets and lowering margins.

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

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

We may not be able to successfully execute strategic acquisitions or realize expected benefits from acquisitions.

We have engaged in a number of mergers and acquisitions in the past and may make further acquisitions in the future as part of our growth strategy in the Brazilian financial services industry. Recent transactions include our May 2011 acquisition of a co-controlling interest in Banco PanAmericano and our recent acquisitions of Celfin, WTorre Properties S.A., BFRE and Bolsa y Renta.

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

In addition, we could be adversely affected if we fail to successfully integrate the operations of our acquired companies with our existing operations and thus do not realize the benefits we hope to achieve from the integration of our acquisitions. For example, in the cases of Celfin and Bolsa y Renta, the success of such acquisitions will depend, among other factors, on our ability to retain their respective existing senior and middle management teams and to successfully expand their respective current business lines to include the full range of financial services and products that we currently offer in Brazil. As a result, we may fail to successfully integrate either or both of Celfin’s or Bolsa y Renta’s operations with our operations or achieve the expected cost savings and revenue generation arising from such integration in the time frame we anticipate or at all. Generally, our inability to realize the benefit of any acquisition may be due to a variety of factors, including our inability to implement our firm’s culture at the companies we acquire, to integrate our respective back office operations with those of the companies we acquire, or to carry out anticipated headcount reductions. It is possible that any acquisition could result in the loss of key employees, the disruption of either our or any target’s ongoing business and inconsistencies in standards, controls, procedures and policies. Moreover, the success of any acquisition will at least in part be subject to a number of economic and other factors that are beyond our control.

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

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

The financial services industry is intensely competitive.

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

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

We face increased competition due to a trend toward consolidation.

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

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

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

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. We may also fail to receive full information with respect to the trading risks of counterparties. In addition, in cases where we have extended credit against collateral, we may find that we are under secured, for example, as a result of sudden declines in market values that reduce the value of collateral.

Past performance may not be indicative of our future results.

We have included significant information in this Prospectus relating to our past financial performance and that of our affiliates. In considering the performance information contained herein, you should bear in mind that past performance is not necessarily indicative of future results, and that there can be no assurance that we will achieve comparable results. Future conditions may require actions that differ from those contemplated at this time. For example, from December 2006 through September 2009, Banco BTG Pactual was owned by UBS AG, and managed in accordance with the policies and management practices of UBS AG, which materially differs from our current managing model. In addition, BTG Pactual Participations, BTGI and their subsidiaries have a limited operating history. See "Summary—Our History." There may be differences between investors' expectations and actual results because events and circumstances frequently do not occur as expected, and those differences may be material and adverse. In addition, general economic conditions, which are not predictable, can also have a material adverse impact on the reliability of management's projections. We may use the proceeds of any public offering or any other source of financing at a slower or faster rate than we have historically been able to deploy capital, which may negatively affect our ability to create long-term value for our shareholders. Such different rates of using funds are another reason we may not be able to achieve returns similar to the track record described in this Prospectus.

Additionally, BTG Pactual's recent (and, to an extent, continuing) reorganization of our business from a privately held group to a publicly traded group may result in increased administrative, tax and regulatory scrutiny, costs and burdens that are not reflected in the consolidated financial statements contained in this Prospectus, which could adversely affect our results of operations. In addition, as a publicly traded group, we implement additional regulatory and administrative procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. The costs of implementing and complying with these procedures and processes may be significant.

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

In addition to our combined income statement and the income statements of each of Banco BTG Pactual, BTG Pactual Participations and BTGI, we have included in this Prospectus our combined adjusted income statement and a discussion of such combined adjusted income statement. The classification of the line items in our combined adjusted income statement is unaudited and materially differs from the classification of the corresponding line items in our combined income statement. See "Presentation of Financial and Other Information—Financial Statements—Financial Information Included in Our Combined Financial Statements." As a result, our combined adjusted income statement (i) was not prepared in accordance with Brazilian GAAP nor IFRS, (ii) should not be presumed to be operating segments under IFRS because our management does not rely on such information for decision making purposes, (iii) contains data about our business, operating and financial results that are not directly comparable to the financial statements included in this Prospectus and (iv) is not indicative of our results of operations and should not be considered in isolation or as an alternative to such financial statements.

RISK FACTORS

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

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

In addition, Banco BTG Pactual depends on inter-bank deposits as a principal source of unsecured short-term funding for our operations. As of December 31, 2012, Banco BTG Pactual had R$627.1 million of indebtedness related to inter-bank deposits presented as other financial liabilities carried at amortized cost. The liquidity of Banco BTG Pactual depends to an important degree on its ability to refinance these borrowings on a continuous basis. Banks that hold inter-bank deposits with Banco BTG Pactual have no obligation to renew these inter-bank deposits when the outstanding deposits mature. If we are unable to refinance these short-term borrowings, we will be adversely affected.

Similarly, subsidiaries of BTG Pactual Participations and BTGI depend on lending from their prime brokers as a principal source of short-term funding for its operations. The liquidity of BTGI depends to an important degree on its ability to refinance these borrowings on a continuous basis. Banks that serve as prime brokers to BTG Pactual Participations and BTGI’s subsidiaries have no obligation to continue to provide such financing, and if they decline to do so and we do not identify alternatives, we will be adversely affected.

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

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

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

We may suffer significant losses from our credit exposures.

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

In recent years, we have significantly expanded our swaps and other derivatives businesses and placed a greater emphasis on providing credit and liquidity to our clients. Additionally, as part of our brokerage business, we finance our client positions, and we could be held responsible for the defaults or misconduct of our clients. We are also experiencing pressure from corporate clients that require credit commitments in connection with investment banking and other assignments. As a result, our credit exposures have increased in both amount and duration. The outstanding balance of our broader credit portfolio, which consists mainly of loans, receivables, advances in foreign exchange contracts, marketable securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), increased from an average balance of R$2.1 billion in 2009 to an average balance of R$33.7 billion in 2012. In addition, as competition in the financial services industry has increased, we have experienced pressure to assume longer-term credit risk, extend credit against less liquid collateral and price more aggressively the credit risks that it takes.

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

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

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

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

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

We are subject to several operating risks inherent to our businesses.

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

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

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

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

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

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

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

Specifically, the Brazilian financial markets are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Central Bank and the Securities and Exchange Commission of Brazil (*Comissão de Valores Mobiliários*), or the CVM, and self-regulatory organizations. We have no control over these regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- compulsory deposit and/or reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including compulsory allocations;
- limits and other restrictions on fees;
- limits on the amount of interest banks can charge or the period for capitalizing interest;
- accounting and statistical requirements; and
- other requirements or limitations imposed in the context of the global financial crisis.

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

In addition, some of our subsidiaries are also subject to regulation under U.S. federal and state law and United Kingdom laws, which impose, among other things, minimal standards for different areas of operation, including operational, market, counterparty and other risk assessment, regulatory capital requirements, conduct of business requirements and internal systems and controls with regard to market abuse and insider dealing, among others. Failure to comply with these standards could result in the application of fines or other sanctions, including the suspension or revocation of the licenses of these subsidiaries or their liquidation.

Misconduct by our personnel could harm us and is difficult to detect and deter.

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

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

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

Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our recent acquisition of a co-controlling interest in Banco PanAmericano or Banco PanAmericano's acquisition of BFRE could have a material adverse effect on us.

There are significant risks associated with Banco BTG Pactual's acquisition of a co-controlling interest in Banco PanAmericano, which was consummated on May 27, 2011.

Prior to the announcement of the transaction, Banco PanAmericano disclosed a series of accounting inconsistencies which resulted in losses of approximately R$4.3 billion. We record the results of operations from Banco PanAmericano using the equity method of accounting, pursuant to which our share of Banco PanAmericano's net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity in the earnings of associates. Banco PanAmericano recorded substantial adjustments to accumulated losses in 2011. Banco BTG Pactual recorded a gain of R$61.7 million and a loss of R$119.7 million in connection with the Banco PanAmericano equity pick-up for 2011 and 2012, respectively, in its financial statements prepared in accordance with IFRS. There can be no assurance that Banco PanAmericano will not generate net losses in the future or that Banco PanAmericano's accumulated loss adjustments will not continue to adversely affect our results of operations relating to our commercial banking activities.

In addition, although a substantial portion of Banco PanAmericano's loan portfolio was sold prior to our acquisition of the co-controlling interest in Banco PanAmericano, and Banco PanAmericano has recorded significant provisions for loan losses, there can be no assurance that it will not suffer future loan losses which exceed the amount of these provisions, which could have a material adverse effect on us.

Furthermore, as co-controlling shareholder of Banco PanAmericano, we may be required under Brazilian law to make additional capital contributions if certain circumstances arise in which Banco PanAmericano is considered by the Central Bank to be undercapitalized. For more information on Brazilian banking regulations, see "Regulatory Overview—The Brazilian Financial System and Banking Regulation." For example, on January 18, 2012, Banco PanAmericano's shareholders approved a capital increase in an amount of up to R$1.8 billion, with an issue price of R$6.05 per share. We and CaixaPar committed to exercise preemptive rights for an aggregate amount of R$1.335 billion, with Banco BTG Pactual's share amounting to R$677.0 million. However, Banco BTG Pactual agreed that, upon the request of TPG-Axon, it would transfer part of its preemptive rights with respect to a total of R$182.0 million of Banco BTG Pactual's R$677.0 million commitment. TPG-Axon elected to exercise such rights and, on April 17, 2012, subscribed for preferred shares representing, after the capital increase, 12.0% of Banco PanAmericano's preferred shares and 5.55% of its total capital stock, thus reducing Banco BTG Pactual's capital contribution to R$495.4 million. Following such exercise, Banco BTG Pactual maintained its 51.0% equity interest in Banco PanAmericano's common shares, and Banco BTG Pactual and CaixaPar continue to co-control Banco PanAmericano pursuant to the terms of a shareholders agreement which establishes the conditions for such shared control.

It is possible that the initiatives to return Banco PanAmericano to profitability, including through the acquisition of BFRE, may not meet the expected results and that new capital injections at Banco PanAmericano will be required. Any of these factors could have an adverse effect on us.

We co-control Banco PanAmericano with CaixaPar, which may have interests that differ from ours.

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

RISK FACTORS

Risk Factors Relating to Brazil

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

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

- banking regulations;
- growth or downturn of the Brazilian economy;
- the regulatory environment;
- inflation;
- interest rates;
- variations in exchange rates;
- decreases in wages and economic levels;
- increases in unemployment;
- exchange control policies;
- fiscal policy and changes in the tax law;
- liquidity of the domestic financial, capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

We cannot predict what future policies will be adopted by current or future Brazilian governments, or whether these policies will result in adverse consequences to the Brazilian economy or cause an adverse effect on us. In addition, possible political crises may affect the confidence of investors and the public in general, which may result in economic deceleration and adversely affect us.

Exchange rate instability may adversely affect us.

The Brazilian currency has been devalued frequently over the past three decades. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the *real* is generally linked to the rate of inflation in Brazil, depreciation of the *real* occurring over shorter periods of time has resulted in significant variations in the exchange rate between the *real*, the U.S. dollar and other currencies. The *real* appreciated against the U.S. dollar by 20.5% in 2007. In 2008, as a result of the global financial crisis, the *real* depreciated against the U.S. dollar by 24.2%. However, in 2009 and 2010, the *real* appreciated by 33.8% and 3.5%, respectively, against the U.S. dollar. In 2011, the *real* depreciated by 12% against the U.S. dollar. The *real*/U.S. dollar exchange rate reported by the Central Bank on December 31, 2011 was R$1.8758 per U.S. dollar. In 2012, the *real* further depreciated by 8.5% against the U.S. dollar. The *real*/U.S. dollar exchange rate reported by the Central Bank on December 31, 2012 was R$2.04 per U.S. dollar. We cannot assure you that the *real* will not continue to appreciate substantially or depreciate against the U.S. dollar in the future. Our costs are principally denominated in *reais*. However, because a substantial portion of our revenues is denominated in U.S. dollars, whereas our reporting currency is the *real*, we may be adversely affected due to fluctuations in the value of the *real* against the U.S. dollar. For example, changes in the relative value of the *real* and the U.S. dollar will result in realized and unrealized foreign exchange gains and losses to the extent that we have assets and liabilities denominated in U.S. dollars or these other currencies. Further, the depreciation of the *real* against the U.S. dollar may create additional inflationary pressures in Brazil, which may negatively affect the Brazilian economy as a whole and cause an adverse effect on us.

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

Brazil has historically experienced high rates of inflation. Inflation and certain actions taken by the Brazilian government to curb it have had negative effects on the Brazilian economy, especially in the period before 1995. Inflation, as measured by the IGP-M, reached 2.57% in 1993. Although Brazilian inflation has substantially decreased since 1994, inflationary pressures still persist. Brazil's inflation rate in 2007 and 2008 reached 7.75% and 9.81%, respectively, but, in 2009, Brazil experienced a deflation rate of 1.72% due to the effects of the financial global crisis in the end of 2008. In 2010 and in 2011, inflation rates in Brazil were 11.32% and 5.10%, respectively, as a result of the economic growth momentum of the Brazilian economy. In 2012, the inflation rate (IGP-M) in Brazil was 7.1%, mainly due to producer price inflationary pressures, with higher contributions from food products, chemical products, petroleum refining and pulp and paper.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. The COPOM has frequently adjusted the interest rate in situations of economic uncertainty and to achieve objectives under the economic policy of the Brazilian government. Inflation, along with government measures to curb inflation and public speculation about possible future government measures, have had significant negative effects on the Brazilian economy, and contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market, which may have an adverse effect on us.

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

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

The Brazilian economy has been subject to a number of developments or conditions that have significantly affected the availability of credit. External and internal factors, including the Russian economic crisis of 1998, the Argentine economic crisis of 2001 and elections in Brazil in 2002 have from time to time resulted in significant outflows of funds and reductions in the amount of foreign currency being invested in Brazil, notwithstanding significant increases in interest rates designed to stem capital outflow. Since 2008, the continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy and Portugal continued to reduce investor confidence globally, as did the earthquake in Japan, the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011, and the U.S. fiscal cliff discussions in 2012. These ongoing events could negatively affect our ability and the ability of other Brazilian banks to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. In addition, to control inflation in general, the Brazilian government has maintained a tight monetary policy, with associated high interest rates, and has constrained the growth of credit. The combination of these developments has made it difficult at times for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and has resulted in the failure of a number of weaker financial institutions in Brazil. In addition, concerns as to the stability of some financial institutions have caused significant transfers of deposits from smaller banks to larger banks since the beginning of 1995. No assurance can be given that developments in the Brazilian economy will not adversely affect the ability of certain of our counterparties or direct and indirect clients to make timely payments on their obligations to us or otherwise adversely affect us.

RISK FACTORS

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

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazilian economy and resulted in considerable outflows of funds from Brazil and decreases in the amount of foreign investments in Brazil. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may have an adverse effect on the market value of securities of Brazilian issuers, including our Units.

Risk Factors Relating to the Regulatory Environment

Changes in the regulation of operations of Brazilian banks may adversely affect us.

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

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

The regulatory structure governing Brazilian banks has frequently evolved. Existing laws and regulations could be amended; the manner in which laws and regulations are enforced or interpreted could change; and new laws or regulations could be adopted. Such changes could adversely affect us.

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

The Central Bank has periodically changed the amount of reserves that financial institutions in Brazil are required to maintain. For example, as from September 2008, the Central Bank revoked and changed a number of compulsory deposit requirements in an attempt to reduce the impact of the global financial markets crisis, and, considering the gradual recovery from the global financial markets crisis, the Central Bank has been increasing and restating the compulsory deposit requirements. The Central Bank may increase its reserve and compulsory deposit requirements in the future or impose new reserve and compulsory deposit requirements.

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

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

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy, and we have no control over their imposition. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect our business.

Minimum capital adequacy requirements imposed on us following the implementation of the Basel III Accord may negatively impact our results of operations and financial condition.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices, or the Committee, approved a new framework for risk-based capital adequacy, commonly referred to as the "Basel II Accord." The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders summit in November 2010. The Basel III recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth. The Committee’s package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The implementation of Basel III in Brazil is expected to follow the agreed international schedule, by implementing the capital and other requirements gradually between January 1, 2013 and January 1, 2019.

On January 13, 2011, the Committee expanded the capital rules under Basel III, resulting in additional requirements for Tier 1 or Tier 2 non-voting debt instruments issued by banks operating in international financial markets. These additional requirements would apply to any instrument issued after January 1, 2013, and instruments issued prior to such date would be phased out over a period of ten years, starting in 2013. On February 17, 2011, the Central Bank issued Communication No. 20,615 affirming its intention to implement these new requirements, and, according to a non-binding schedule set forth in Communication No. 20,615, the Central Bank will issue further rulings in the future with respect to such requirements.

In addition, on February 17, 2012, the Central Bank released Public Hearing No. 40/2012 for comments, which proposes modifications to the definition of reference capital applicable to Brazilian financial institutions currently established by CMN Resolution No. 3,444, dated February 28, 2007. According to Public Hearing No. 40/2012, the Central Bank now intends to consider certain additional entities controlled by a financial institution in making reference capital determinations. Under the current proposal, entities resembling financial institutions (such as credit card management companies) and investment funds from which a financial institution retains substantial risks and benefits would initially be included when determining the reference capital of the parent financial institution. We cannot predict if, when and to what extent such rules will become effective.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, of March 1, 2013, determined, among others, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR, which is the basis for the determination of minimum regulatory capital. See "Regulatory Overview—Capital Adequacy and Leverage."

Among the changes introduced by this new set of rules, it is important to highlight: (i) the introduction of the concept of quasi-financial institutions (*instituições assemelhadas*); (ii) the necessity of consolidation of financial statements of such quasi-financial institutions; (iii) the issuance of new rules for the calculation of the components of the PR (including Principal Capital and Complementary Capital, both of which comprising the so-called Tier I Capital). These changes are to be implemented from October 1, 2013 to January 1, 2022.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2019 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and may make it more difficult for it to maintain the ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be compelled to limit its credit operations, dispose it assets and/or take other measures that may adversely affect the BTG Pactual Group.

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

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, was signed into law. The Dodd-Frank Act aims to reform various aspects of the U.S. financial markets and covers a broad range of market participants, including broker-dealers and investment advisers. In particular, the Dodd-Frank Act affects our investment adviser in the U.S. because it mandates additional new reporting requirements, including information with respect to positions, use of leverage and counterparty and credit risk exposure. The Dodd-Frank Act also creates the Financial Stability Oversight Council, or the Council, which is charged with monitoring and mitigating systemic risk in the financial industry. As part of this responsibility, the Council would have the authority to subject certain financial firms to additional regulations, which could limit the amount of risk-taking engaged in by certain financial firms. It is not certain what the scope of future rulemaking and interpretive guidance from the SEC, the Financial Industry Regulatory Authority, or FINRA, and other regulatory agencies may be and what impact that will have on our compliance costs, business, operations, and profitability.

In addition, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding the standards of conduct that a broker-dealer employs when providing investment advice to retail customers. The SEC, FINRA and various other regulatory agencies have stringent rules with respect to the maintenance of specific levels of net capital by U.S.-registered broker-dealers. Our U.S. broker-dealer is required to comply with net capital requirements and if it fails to maintain the required net capital, the SEC could suspend or revoke its registration or FINRA could expel it from membership, which could ultimately lead to its liquidation, or they could impose censures, fines and other sanctions. If the net capital rules are changed or expanded, or if there is an unusually large charge against net capital, then our operations that require capital could be limited. A large operating loss or charge against net capital could have a material adverse effect on our ability to maintain or expand our broker-dealer business in the U.S.

The proposed Volcker Rule of the U.S. Dodd-Frank Act could have a potential impact on the liquidity of the Units.

Under the United States Dodd-Frank Act, various U.S. regulatory agencies are currently considering proposed regulations to implement Section 619 of the Dodd-Frank Act, commonly referred to as the Volcker Rule, which would restrict the ability of U.S. and non-U.S. "banking entities" (as defined in the Volcker Rule) from engaging in proprietary trading and from owning and sponsoring hedge funds, private equity funds and such similar funds as may be designated by the U.S. regulatory agencies (collectively, "covered funds").

There is a risk that the equity investment activities of BTGI, especially if viewed in isolation from other activities of BTGI and its related companies, could be considered a covered fund under the Volcker Rule. If BTGI is in fact considered a covered fund, U.S. and other financial institutions that are subject to the Volcker Rule, including most global banks and their broker dealer affiliates, would have a limited ability to own the Units as principal which in turn may limit the ability of such banking entities to make a market in the Units. This could result in a less liquid market developing for the Units, and any reduction in liquidity of the Units could have an adverse effect on the trading prices of the Units.

The proposed Volcker Rule received a large number of public comments and is potentially subject to modification by the U.S. regulatory agencies prior to the promulgation of final rules. The Volcker Rule is presently expected to go into effect on July 21, 2012, with at least a two-year period for entities subjected to the rule to divest their interests in funds and otherwise conform or limit their existing activities and investments.

If any of the issuers were deemed an "investment company" required to register as such under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of registered investment companies (or companies that should be but are not so registered). Among other things, the Investment Company Act and the rules thereunder applicable to such companies limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. Operation of a complex financial services business within those rules is impracticable. We therefore intend to conduct our operations so that none of our issuers will be deemed to be an investment company required to register as such under the Investment Company Act.

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

If any of the issuers were deemed to be an "alternative investment fund" **(alternatieve beleggingsinstelling)** ***within the meaning of the FMSA and AIFM Directive, as defined below, we may be required to obtain a license in the Netherlands or in another member state of the European Economic Area and need to comply with ongoing requirements applicable to licensed alternative investment funds.***

We hold ourselves out as a diversified financial services firm and do not propose to engage primarily in the business of collective investing or to allow Unit holders to indirectly receive proceeds from such investments, a key element to qualify as an alternative investment fund, or AIF, as defined in the EC Alternative Investment Fund Managers Directive (Directive 2011/61/EC), or the AIFM Directive, which is reflected in Dutch law as of July 22, 2013. However, there is a risk that the equity investment activities of BTGI, especially if viewed in isolation from other activities of BTGI and its related companies, potentially could be considered those of an alternative investment fund subject to regulation (including a license requirement) under the FMSA and the AIFM Directive. If part of our activities would be deemed to constitute an AIF, we may become subject to a license requirement as an alternative investment fund manager under the FMSA, unless we are able to benefit from an exemption. If we would qualify as an alternative investment fund manager and we are unable to benefit from an exemption, or cannot or are unwilling to meet the license requirements which follow from the AIFM Directive, the trading and transferability of our European Units may be adversely affected and we may become subject to supervisory measures by the AFM (including possible penalties).

Limits on bank loan interest rates could have a negative effect on our business, financial condition and results of operations.

The Brazilian Federal Constitution historically imposed a 12.0% cap on the interest rates of loans from financial institutions. In 2003, however, such limit was eliminated by the enactment of Constitutional Amendment No. 40. The Brazilian Civil Code and Decree No. 22,626, dated April 7, 1933 (known as the

Usury Law), however, continue to provide limitations on interest rates. Law No. 4,595, dated December 31, 1964, which regulates the national financial system, together with several court decisions, has exempted financial institutions from the limits mentioned above. However, changes in Brazilian courts' interpretations, or any new legislation or regulation imposing a ceiling or limiting bank loan interest rates, could have a negative effect on us. In addition, the Brazilian government has recently been pressuring financial institutions to lower the applicable tax rates, which could also have a negative effect on us.

Risk Factors Relating to the Listing and Our Units

We are controlled by our controlling shareholder, whose interests may differ from those of Unit holders.

André Santos Esteves controls BTG Pactual Holding, which (i) directly owns approximately 82.7% of the common shares and approximately 63.7% of the preferred shares issued and outstanding of Banco BTG Pactual and (ii) indirectly owns approximately 1.5% of the BTGI limited partnership interests.

Similarly, Mr. Esteves (i) has an economic interest in Banco BTG Pactual, directly and indirectly, of approximately 22.0% and (ii) controls, directly or indirectly, approximately 83.8% of the common shares of Banco BTG Pactual which, subject only to certain limited exceptions (see "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement"), will allow Mr. Esteves, in his sole discretion, to control the management, direction and policies of Banco BTG Pactual, including the outcome of any matter submitted to a vote of shareholders.

Mr. Esteves controls BTG GP, the holder of the BPP Class C share, which allows Mr. Esteves to control the most relevant decisions of BTG Pactual Participations and, as a result, of BTGI. In addition, Mr. Esteves (i) owns, directly or indirectly, approximately 22.0% of the BTGI limited partnership interests and (ii) subject to certain limited exceptions (see "Our Partnership—Shareholders Agreements—BTG GP Shareholders Agreement"), is entitled to direct the vote, in his sole discretion, of the general partner of BTGI.

As a result, subject to certain exceptions, Mr. Esteves is able to (i) elect and control the decisions of the majority of the board of directors of Banco BTG Pactual and BTG Pactual Participations, (ii) control the management and policies of Banco BTG Pactual and BTG Pactual Participations (and indirectly, BTGI), and (iii) determine without the consent of Unit holders the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, amalgamations, consolidations and the sale of all or substantially all of the assets of BTG Pactual. As the controlling shareholder of Banco BTG Pactual and BTG Pactual Participations (and indirectly, BTGI), Mr. Esteves will be able to prevent or cause a change in control of Banco BTG Pactual and BTG Pactual Participations.

The Units represent ownership interests in two distinct legal entities with no obligation to provide financial support to the other.

Each of our Units represents ownership interests in two separate and distinct legal entities with different shareholders' rights and corporate formations and subject to corporate and securities laws of different jurisdictions. Accordingly, your rights as a shareholder of Banco BTG Pactual and BTG Pactual Participations, including any protections afforded to you as a minority investor, will materially differ. For example, under Bermuda law, directors and officers of a company generally owe fiduciary duties to the company and not to individual shareholders. Class actions and derivative actions are generally not available to shareholders under Bermuda law. In addition, as permitted by Section 98 of the Bermuda Companies Act, the bye-laws of BTG Pactual Participations provide that BTG Pactual Participations will indemnify its directors and officers against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty.

In addition, although Banco BTG Pactual and BTG Pactual Participations are entities controlled by André Santos Esteves, our controlling shareholder, Banco BTG Pactual and BTG Pactual Participations are each separate legal entities subject to their own distinct legal and regulatory regimes and are each separately liable for their own obligations. Neither Banco BTG Pactual nor BTG Pactual Participations has any obligation (contingent or otherwise) to indemnify or otherwise make any funds available, whether by dividends, loans, distributions, contributions or other payments, to the other. If either Banco BTG Pactual or BTG Pactual Participations is ever liquidated or reorganized, including as a result of a bankruptcy, any distributions received by Unit holders with respect to the shares of Banco BTG Pactual will be solely out of the assets of Banco BTG Pactual and any distributions received with respect to the BPP Class A shares and BPP Class B shares will be solely out of the assets of BTG Pactual Participations. See "Description of Capital Stock."

The market price for our Units reflects the combined performances of two distinct entities and does not reflect the stand-alone performance of these entities.

The market price for our Units reflects the combined performances of two entities, Banco BTG Pactual and BTG Pactual Participations (which is derived from its indirect ownership of BTGI), and is not necessarily indicative of the stand-alone results of either entity. Any adverse effects resulting from negative stand-alone results of one entity on the market price of our Units may not necessarily be offset by the effects of positive stand-alone results of the other entity on the market price of our Units for the same period. A strong performance by one of the entities may not necessarily offset the poor performance of the other, which could lead to decreases in the market price for our Units.

Holders of our Units may face difficulties in serving process on or enforcing judgments against Banco BTG Pactual, BTG Pactual Participations and other relevant persons.

Banco BTG Pactual is a corporation organized under the laws of Brazil, and BTG Pactual Participations is a limited liability exempted company incorporated under the laws of Bermuda. Most of their board members, executive officers and independent public accountants reside or are based in Brazil. Most of the assets of Banco BTG Pactual and those of such other persons are located in Brazil and most of the assets of BTG Pactual Participations are located abroad. As a result, it may not be possible for you to affect service of process upon Banco BTG Pactual or BTG Pactual Participations or such other persons within the United States or other jurisdictions outside Brazil or Bermuda. Because judgments of U.S. and other foreign courts for civil liabilities based upon the U.S. federal securities (or other non-Brazilian and non-Bermudian) laws may only be enforced in Brazil or Bermuda, as the case may be, if certain conditions are met, you may face greater difficulties in protecting your interests in the case of actions by Banco BTG Pactual or BTG Pactual Participations, their board of directors or executive officers (as the case may be) than would shareholders of a U.S. or European (as the case may be) corporation. See "Enforcement of Judgments."

The sale of a significant number of our Units may adversely affect the trading price of our Units.

The Partnership Equity which is held by BTG Pactual Holding and our Partners is subject to transfer restrictions which generally provide that such Partnership Equity is not and, for the foreseeable future will not be, eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of control of BTG Pactual. See "Our Partnership—Partnership Model Post Initial Public Offering—Restrictions on Sales of Partnership Equity," "Consortium Shareholders Agreement—Transfer Restrictions—Partnership Equity" and "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement."

The market price of our Units could significantly decrease if we, our controlling shareholder, any other shareholder, the Partners or our directors and executive officers sell Units or any other equity securities or the market perceives that such persons intend to sell Units or such equity securities for any reason.

We may not pay dividends to Unit holders.

Under the Bermuda LP Act, BTGI may not pay any share of its profits or other compensation by way of income to a limited partner from its assets if, on the date the payment is to be effected, the general partner has reasonable grounds believing that BTGI, after the payment, would be unable to pay its liabilities as they become due.

The by-laws of Banco BTG Pactual require it to distribute at least 1.0% of its annual adjusted non-consolidated net income, as calculated under Brazilian GAAP and adjusted under Brazilian Corporations Law (which differs significantly from net income as calculated under IFRS). However, Banco BTG Pactual's adjusted non-consolidated net income may be capitalized, used to absorb losses or retained for other purposes and, therefore, may not be made available for payment of dividends to Banco BTG Pactual shareholders. In addition, Brazilian Corporations Law allows Banco BTG Pactual to suspend the mandatory distribution of dividends in any fiscal year in which its board of directors reports in the annual shareholders' meeting that the distribution would not be advisable given Banco BTG Pactual's financial condition.

As a holding company, BTG Pactual Participations will have no material assets other than the BTGI limited partnership interests that it indirectly owns through BTG Bermuda Holdco and will have no independent means of generating income. Accordingly, BTG Pactual Participations will only distribute dividends to its shareholders if it receives dividends from BTGI, indirectly through BTG Bermuda Holdco. Under the Limited Partnership Act 1883 of Bermuda, or the Bermuda LP Act, BTGI may not pay any share of its profits or other compensation by way of income to a limited partner from its assets if, on the date the payment is to be effected, the general partner has reasonable grounds believing that BTGI, after the payment, would be unable to pay its liabilities as they become due. In addition, as a Bermuda company, BTG Pactual Participations and BTG Bermuda Holdco is not permitted to pay out or declare a dividend or make a distribution unless it meets the statutory solvency test set forth in Section 54 of the Bermuda Companies Act. According to such test, BTG Bermuda Holdco will only make dividend distributions to BTG Pactual Participations, and as a result, Unit holders will only receive dividends from BTG Pactual Participations, if in each case, its respective board of directors has reasonable grounds for believing that it is, and after the payment of such dividends would be, able to pay its liabilities as they become due and the realizable value of its assets would thereby not be less its liabilities.

We may change or terminate the agreements governing the Units, the BDRs and the GDSs by negotiating with the respective depositaries without the consent of the holders of Units, BDRs or GDSs, as applicable.

We may agree with the Unit depositaries or BDR or GDS depositaries to change or terminate the agreements governing the Units, BDRs and GDSs without the consent of the holders of Units, BDRs or GDSs, as applicable. In these cases, even if such amendment is materially adverse to the rights of such holders, it will become effective within 30 days after delivery of a written notice given by the Unit depositaries or BDR or GDS depositaries, as applicable, to such holders, who will not be able to challenge such amendment. The only option available to such holders in this case would be to cancel the Units, BDRs or GDSs, as the case may be, in order to hold directly the respective underlying securities. However, such cancellation is subject to a significant cancellation fee and no trading is expected to the develop with respect to the Banco common shares, Banco Series A preferred shares, BPP Class A shares or BPP Class B shares.

In addition, at any time, we may replace the Unit depositaries or BDR or GDS depositaries with another depositary, or such depositaries may resign from serving as either the Unit depositaries, or BDR or GDS depositaries, as applicable, in each case without the consent of holders of Units, BDRs or GDSs, as applicable. See "Description of Units, BDRs and GDSs—The Brazilian Units—Amendment or Termination of the Brazilian Unit Program," "Description of Units, BDRs and GDSs—Brazilian Depositary Receipts (BDRs)—Amendment and Termination of the BDR Deposit Agreement," "Description of Units, BDRs and GDSs—The European Units—Amendment or Termination of the European Unit Program," and "Description of Units, BDRs and GDSs—Global Depositary Shares (GDSs)—Amendment and Termination of the GDS Deposit Agreement."

European Unit holders will not be entitled to special tender offer rights provided in the by-laws of Banco BTG Pactual or the bye-laws of BTG Pactual Participations at a price per share, which they would otherwise be entitled to receive if they held Brazilian Units.

In addition to the rights to participate in the Statutory Brazilian Tender Offer described under "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events—Tender Offer Required under Brazilian Law," Banco BTG Pactual has elected to include provisions in its by-laws that provide holders of Banco common shares and Banco preferred shares rights to participate in certain transactions which Banco BTG Pactual considers to represent a true change of control of Banco BTG Pactual, but only if such shares are held as part of Brazilian Units that are deposited with the Brazilian Unit depositary at the moment that such change of control transaction is publicly announced as further described in the by laws. Pursuant to such provisions of the by-laws of Banco BTG Pactual, a third party acquiring control of Banco BTG Pactual is required to make an offer to acquire 100% of the outstanding Banco common shares and Banco preferred shares that are held by the depositary as part of a Brazilian Unit at the time of the public announcement of such change of control at a price per share that is at least 100% of the price per share and otherwise upon the same terms and conditions as are received by the Partners (directly or indirectly) in such sale. See "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events—100% Tender Offer Required by Banco BTG Pactual's By-laws."

The BTG Pactual Participations bye-laws similarly provide that holders of BPP Class A shares and BPP Class B shares shall have the right to participate in certain transactions involving a true change of control of BTGI or BTG Pactual Participations, but only if such shares are held as part of Brazilian Units that are deposited with the Brazilian Unit depositary at the moment the change of control transaction is publicly announced as described further in the bye-laws. Pursuant to such provisions of the bye-laws of BTG Pactual Participations, a third party acquiring control of BTGI or BTG Pactual Participations is required to make an offer to acquire 100% of the outstanding BPP Class A shares and BPP Class B shares that are held by the depositary as part of a Brazilian Unit at the time of the public announcement of such change of control at a price per share that is at least 100% of the price per share (or limited partnership interest) and otherwise upon the same terms and conditions as are received by the Partners (directly or indirectly) in such transaction on account of their sale of BPP Class A shares, BPP Class B shares or BTGI limited partnership interests, as applicable. See "Description of Capital Stock—BTG Pactual Participations—Mandatory Tender Offer—Tender Offer Required in Connection with Transfer of Control to Third Party Control Buyer."

European Unit holders will not be entitled to benefit from the special tender offer rights specified in the by-laws of Banco BTG Pactual or the bye-laws of BTG Pactual Participations, as would be the case if such Unit holders held Brazilian Units. As a result, in the event of a change of control of Banco BTG Pactual contemplated in its by-laws, a Brazilian Unit holder may receive 100% (or more) of the price per Banco common share received by Partners, while a European Unit holder, as a consequence of the same transaction, would only be entitled to receive 80% of the price per Banco common share received by Partners. Similarly, in the event of a change of control of BTGI or BTG Pactual Participations contemplated in the bye-laws of BTG Pactual Participations, a Brazilian Unit holder may receive 100% (or more) of the price per BPP Class A share, BPP Class B share or BTGI limited partnership interest, as applicable, received by Partners, while a European Unit holder, as a consequence of the same transaction, would only be entitled to receive 80% of the price per share or limited partnership interest received by Partners.

You may face difficulties in exercising your voting rights or other rights relating to the Units.

Brazilian Unit holders will only be able to exercise certain of their rights relating to the BPP Class A shares and BPP Class B shares by providing voting instructions to the BDR depositary in accordance with the BDR deposit agreement and custody agreement. Likewise, European Unit holders will only be able to exercise certain of their rights relating to (i) the BPP Class A shares, (ii) BPP Class B shares and the (iii) the Banco common shares and Banco Series A preferred shares underlying the GDSs by providing voting instructions to the European Unit depository in accordance with the European Unit deposit agreement, and the European Unit depositary will instruct the GDS depositary to vote the number of securities the underlying GDSs represent in accordance with the GDS deposit agreement.

As a result, Unit holders may face difficulties in exercising their rights with respect to the underlying securities that would otherwise not exist if they held such shares directly. For example, a Unit holder may not have sufficient or reasonable time to provide such voting instructions to the BDR or European Unit depositary, as the case may be, in accordance with the mechanisms set forth in the relevant deposit agreement and custody agreement, and they will not be held responsible for failure to deliver such instruction. The ability of Unit holders to hold us responsible for such failure is also limited.

In addition, investors may need to be an owner of record to have standing to pursue certain actions against Banco BTG Pactual or BTG Pactual Participations. Also, both the BDR and European Unit depositaries may not allow Unit holders to exercise preemptive or subscription rights, as well as to receive securities distributed by us or vote on transactions that would result in such delivery of securities, if the depositaries determine, at their exclusive discretion, that such exercise or distribution would require registration of the transaction with the SEC or the issuance of a European prospectus. Any of these factors could substantially limit the ability of Brazilian Unit holders to fully exercise their rights as shareholders of BTG Pactual Participations and the ability of European Unit holders to fully exercise their rights as shareholders of Banco BTG Pactual Participations and BTG Pactual Participations. Investors may also have difficulties to cancel the Units in order to exercise those rights due to the amount of fees applicable to the cancellation of Units. See "Description of Units, BDRs and GDSs."

In addition, the Unit deposit agreements, BDR deposit agreement and GDS deposit agreement each expressly limit our obligations and those of the depositaries, thereby limiting your recourse in the event you are unable to, or experience delays in, exercising your rights. See "Description of Units, BDRs and GDSs."

Banco BTG Pactual may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. investors.

Based on the projected composition of its income and valuation of its assets, we do not expect Banco BTG Pactual to be classified as a passive foreign investment company, or PFIC, for the taxable year ending December 31, 2013, and we do not expect it to become one in the future, although there can be no assurance in this regard. Banco BTG Pactual will be considered a PFIC for any taxable year if either (i) at least 75.0% of its gross income is passive income or (ii) at least 50.0% of the value (determined on a quarterly basis) of its assets is attributable to assets that produce or are held for the production of passive income. The determination of whether it is a PFIC is made annually. Accordingly, it is possible that Banco BTG Pactual may become a PFIC in the current or any future taxable year due to changes in its asset or income composition. The authorities we rely upon in making our determination as to PFIC status are complex and may be interpreted differently by the Internal Revenue Service, or IRS, and the courts. We have not sought a ruling from the IRS with respect to the PFIC status of Banco BTG Pactual, and there can be no assurance that the IRS will agree with our determination with respect to any given taxable year. In addition, our determination that we do not expect Banco BTG Pactual to be a PFIC is based in part upon certain proposed U.S. Treasury regulations that are not yet in effect, referred to herein as the Proposed Regulations, and are subject to change in the future. The Proposed Regulations and other administrative pronouncements from the IRS provide special rules for determining the character of income and assets derived in a banking business for purposes of the PFIC rules. Although we believe we have adopted a reasonable interpretation of the Proposed Regulations and administrative pronouncements, there can be no assurance that the IRS will agree with our interpretation. If Banco BTG Pactual is classified as a PFIC, such characterization could result in adverse U.S. federal income tax consequences to a U.S. investor. For more information on PFICs, see "Taxation—Certain U.S. Federal

Income Tax Considerations—Considerations for U.S. Holders—BDRs, BPP Class A shares and BPP Class B shares—Status as a PFIC and Related Tax consequences."

We expect BTG Pactual Participations to be classified as a PFIC for U.S. federal income tax purposes.

If you are a U.S. investor and do not properly make a qualified electing fund, or QEF, election with respect to BTG Pactual Participations, you would be subject to U.S. federal income tax at ordinary income tax rates, plus special deferred tax and interest charges, with respect to certain distributions on BDRs or BPP Class A shares and BPP Class B shares, any gain realized on a disposition of a Unit allocable to BDRs or BPP Class A shares and BPP Class B shares, and certain other events. The effect of these deferred tax and interest charges could be materially adverse to you. Alternatively, if you are a U.S. investor and properly make a QEF election with respect to BTG Pactual Participations, you would not be subject to those charges, but could recognize taxable income in a taxable year with respect to BDRs or BPP Class A shares and BPP Class B shares in excess of any distributions made to you that year with respect to such BDRs or BPP Class A shares and BPP Class B shares, thus giving rise to so-called "phantom income" and a potential out-of-pocket tax liability. See "Taxation—Certain U.S. Federal Income Tax Considerations—Considerations for U.S. Holders—BDRs, BPP Class A shares and BPP Class B shares—Status as a PFIC and Related Tax consequences."

The U.S. federal income tax consequences of the purchase, ownership and disposition of a Unit are unclear.

No statutory, judicial or administrative authority directly addresses the treatment of a Unit or an instrument similar to a Unit for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of the purchase, ownership and disposition of a Unit are unclear. We believe that the components of a Unit should be respected as separate instruments of two distinct issuers for U.S. federal income tax purposes and that our stated allocation of the purchase price to a Unit’s component parts should be respected. However, the IRS or the courts may take the position that a Unit should be treated as an investment in a single issuer for U.S. federal income tax purposes or may not respect our allocation of the purchase price of a Unit, in which case there could be unexpected materially adverse U.S. tax consequences to a U.S. investor. For a more detailed discussion of tax-related risks, see "Taxation—Certain U.S. Federal Income Tax Considerations."

Your ability to invest in our Units or to transfer any Units that you hold may be limited by certain ERISA, Code and other considerations.

We intend to restrict the ownership and holding of our Units, so that none of the assets of BTG Pactual Participations will constitute "plan assets" of any Benefit Plan Investor (as defined in "Certain ERISA Considerations"). We intend to impose such restrictions based on deemed representations and written representations in certain circumstances. If the assets of BTG Pactual Participations were deemed to be "plan assets" of any Benefit Plan Investor, pursuant to the Plan Asset Regulations (as defined in "Certain ERISA Considerations"), certain transactions that we or our subsidiaries may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the Code and might have to be rescinded. Governmental plans, certain church plans and non-U.S. plans, while not subject to Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to Similar Laws (as defined in "Certain ERISA Considerations").

Each purchaser and subsequent transferee of our Units will be deemed to represent and warrant that either (i) it is not, and is not acting on behalf of or investing the assets of, a Benefit Plan Investor or (ii) it is an insurance company general account and, at the time of acquisition and throughout the period it holds the Units and underlying securities, (A) its purchase, holding and disposition of the Units and underlying securities is not and will not be prohibited under Section 406 of ERISA or Section 4975 of the Code by reason of U.S. Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25% of the assets of such general account are and will be (or represent) assets of Benefit Plan Investors and (C) it is not and will not be a person who has discretionary authority or control with respect to any assets of BTG Pactual Participations, a person who provides investment advice for a fee (direct or indirect) with respect to such assets, or an affiliate of such a person, and any Units and underlying securities held by such purchaser will not otherwise be disregarded for purposes of calculations under the Plan Asset Regulations. See "Transfer Restrictions" and "Certain ERISA Considerations" for a more detailed description of certain ERISA, Code and other considerations relating to an investment in our Units.

IMPORTANT INFORMATION

Banco BTG Pactual and BTG Pactual Participations accept responsibility for the information contained in this Prospectus. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. Potential investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus.

No person is or has been authorized to give any information or to make any representation in connection with the Listing, other than as contained in this Prospectus, and, if given or made, any other information or representations must not be relied upon as having been authorized by Banco BTG Pactual and BTG Pactual Participations. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implications that there has been no change in our affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since that date.

No representation or warranty, express or implied, is made or given by or on behalf of the listing agent or any of its affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing contained in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the listing agent or any of its affiliates as to the past or future.

ING Bank N.V. in its capacity as listing agent, does not accept any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by either itself or on its behalf in connection with Banco BTG Pactual, BTG Pactual Participations, the Listing, the European Units, the GDSs, or the BPP shares. Accordingly, ING Bank N.V. disclaims all and any liability, whether arising in tort or contract or otherwise in respect of this Prospectus and/or any such statement.

Presentation of Information

This Prospectus will be published in English only. The terms used in this Prospectus are defined in the section "Definitions" starting on page 430.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in the text or a column or a row in tables contained in, or incorporated by reference in, this Prospectus may not conform exactly to the total figure given for that column or row.

All references in this Prospectus to "**EUR**", "**euro**" or "**€**" are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the treaty establishing the European Economic Community, as amended by the treaty on the European Union.

Market and Industry Information

All references to market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by industry professionals, organizations, analysts, publicly available information or our own knowledge of its sales and markets.

Industry publications generally state that their information is obtained from sources they believe reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Although we believe these sources are reliable, we cannot guarantee their accuracy and completeness as we do not have access to the information, methodology and other bases for such information and have not independently verified the information.

In this Prospectus, we make certain statements regarding our competitive and market position. we believe these statements to be true, based on market data, industry statistics and publicly available information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. We have not independently verified these data or determined the reasonableness of the assumptions used by their compilers, nor have data from independent sources been audited in any manner.

No Incorporation of Website

The contents of our website (http://www.btgpactual.com/), including any websites accessible from hyperlinks on that website, do not form part of, nor are incorporated by reference into, this Prospectus.

Notice to Investors

The distribution of this Prospectus and the acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in the European Units may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction.

This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the European Units in any jurisdiction in which such offer or invitation is not authorized or would be unlawful. Neither this Prospectus, nor any related materials, may be distributed or transmitted to, or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, auditor or other financial, legal or tax advisers before making any investment decision with regard to the European Units to consider such investment decision in light of the prospective investor's personal circumstances.

Notice to Investors in the United States

The securities referred to in this Prospectus have not been registered under the United States Securities Act of 1933 and were offered and sold in the United States solely pursuant to an exemption for such registration requirements.

Forward-Looking Statements

This Prospectus contains estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements appear throughout this Prospectus, principally in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

These estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of our Units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us.

IMPORTANT INFORMATION

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

- the continuing impact of the worldwide financial and economic crisis on Brazil and the other markets in which we operate;
- general economic, political and business conditions both in Brazil and abroad;
- fluctuations in inflation, interest rates and exchange rates in Brazil and the other markets in which we operate;
- our ability to execute our business and expansion strategies and investment policies;
- potential growth opportunities available to our business, including through acquisitions of businesses (such as our recent acquisitions of Celfin Capital S.A., or Celfin, and Bolsa y Renta S.A., or Bolsa y Renta) that we believe are complementary to our existing activities, and our ability to realize the expected benefits resulting from such acquisitions;
- the ability of the management team of Banco PanAmericano S.A., or Banco PanAmericano, to successfully execute strategies that will allow it to consistently generate profits, including its ability to realize the expected benefits of its recent acquisition of a substantial portion of the businesses conducted by Brazilian Finance & Real Estate S.A., or BFRE;
- credit and other risks of lending, such as increases in defaults by borrowers;
- our ability to obtain financing on reasonable terms and conditions;
- our ability to remain competitive in our industry;
- the impact of future legislation and regulation on our business, including with respect to the capital requirements applicable to Banco BTG Pactual and certain of its subsidiaries;
- our level of capitalization;
- governmental intervention resulting in changes to the economy, applicable taxes or tariffs or the regulatory environment in Brazil and the other markets in which we operate, including with respect to the regulation of financial institutions;
- the recruitment, compensation and retention of key personnel;
- *force majeure* events that affect Brazil and the other markets in which we operate; and
- other risk factors discussed in this Prospectus under the caption "Risk Factors."

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Applicable Accounting Standards and Currency of Financial Statements

Banco BTG Pactual

Banco BTG Pactual maintains its books and records in *reais*, the official currency of Brazil, and prepares its financial statements for regulatory purposes in accordance with the accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Law No. 8,021/90, Law No. 9,457/97, Law No. 10,303/01, Law No. 11,638/07 and Law No. 11,941/09, or Brazilian Corporations Law; and
- the accounting standards established by the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*), or COSIF, the Central Bank and the National Monetary Council (*Conselho Monetário Nacional*), or the CMN.

Banco BTG Pactual prepares its financial statements in accordance with Brazilian GAAP. Law No. 11,638/07 and Law No. 11,941/09 amended Brazilian Corporations Law and introduced the process of conversion of financial statements into International Financial Reporting Standards, or IFRS. However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements which follow certain of the IFRS standards as originally issued by the International Accounting Standards Board, or IASB, as from December 31, 2010. However, as a result of the registration of Banco BTG Pactual as a public company with the Securities and Exchange Commission of Brazil, (*Comissão de Valores Mobiliários*), or the CVM, in connection with our initial public offering, Banco BTG Pactual was initially required to prepare consolidated financial statements for the years ended December 31, 2010 and 2011 (January 1, 2010 was the transition date to IFRS), in accordance with IFRS and it has subsequently prepared consolidated financial statements for the year ended December 31, 2012 in accordance with IFRS to comply with CVM disclosure rules. Accordingly, unless the context requires otherwise, any reference to the financial statements of Banco BTG Pactual for the years ended December 31, 2010, 2011 and 2012 in this Prospectus are to those financial statements of Banco BTG Pactual prepared in accordance with IFRS. We have not included in this Prospectus financial statements of Banco BTG Pactual for the years ended December 31, 2010, 2011 or 2012 in accordance with Brazilian GAAP. See "Annex A: Differences Between Brazilian GAAP and IFRS."

BTG Pactual Participations and BTGI

BTG Pactual Participations and BTGI maintain their books and records in U.S. dollars and prepare financial statements in accordance with IFRS. Pursuant to CVM Instruction No. 480/09, however, we are required to prepare consolidated financial statements of BTG Pactual Participations and BTGI in *reais*. Therefore, any reference to the financial statements (or line items that are included in or derived from such financial statements, such as shareholders' equity or partners' equity) of BTG Pactual Participations and BTGI in this Prospectus are to those financial statements (or line items) prepared in *reais*. We converted the financial statements of BTG Pactual Participations and BTGI using (i) the year-end prevailing exchange rate for assets and liabilities; and (ii) month-end prevailing exchange rates for income and expenses, and recorded a corresponding gain or loss from such translation against their respective net equity.

Financial Statements

Auditors

The consolidated financial statements of Banco BTG Pactual as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with IFRS, the consolidated financial statements of BTG Pactual

Participations as of December 31, 2010 and as of and for the year ended December 31, 2011 and 2012 prepared in accordance with IFRS, the consolidated financial statements of BTGI as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with IFRS and our combined financial statements as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with Brazilian GAAP have each been audited by Ernst & Young Terco Auditores Independentes S.S., independent auditors registered with the CVM, in accordance with Brazilian and international standards on auditing as stated in their report included elsewhere in this Prospectus.

Financial Information Included in Our Combined Financial Statements

We prepared our combined financial statements by combining balances of the assets and liabilities, as well as results of operation, of Banco BTG Pactual and BTGI and by eliminating intercompany balances, as applicable. The financial statements of BTGI, which were originally prepared and presented in accordance with IFRS, were converted for the purpose of the combination from IFRS into Brazilian GAAP based on adjustments arising from the differences between the IFRS and the Brazilian GAAP, as applicable. We also converted the financial statements of BTG Pactual Participations and BTGI using (i) the year-end prevailing exchange rate for assets and liabilities; and (ii) month-end prevailing exchange rates for income and expenses, and recorded a corresponding gain or loss from such translation against their respective net equity.

BTGI is not an issuer of the Units, although holders of Units own an indirect equity interest in BTGI through their ownership of equity interests in BTG Pactual Participations. BTG Pactual Participations, one of the issuers of the Units, is the general partner of BTGI and is the vehicle for Unit holders to indirectly hold interests in BTGI, and, through its subsidiary BTG Bermuda Holdco, owns 21.9% of BTGI’s limited partnership interests as of the date of this Prospectus. BTG Pactual Participations: (A) is the general partner of BTGI, (B) does not engage in any other business activity, (C) owns all of the capital stock of BTG Bermuda Holdco and (D) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in the initial public offering of BTG Pactual in April 2012, subsequent purchasers of Units and members of the Consortium. As a result of the foregoing, the Consolidated Income Statement (IFRS – audited) and Consolidated Balance Sheet (IFRS – audited) of BTGI set forth below represent financial condition and results of operations that are identical to those of BTG Pactual Participations. Except for the amounts recorded as net income attributable to controlling shareholders and net income attributable to non-controlling interests, most of the line items included in the Consolidated Income Statement (IFRS – audited) of BTG Pactual Participations are virtually the same as the respective line items in the Consolidated Income Statement (IFRS – audited) of BTGI. As a result of the foregoing, all risks of business and operations faced by BTGI are faced equally by BTG Pactual Participations.

Our combined financial statements were prepared solely to allow investors to evaluate the financial information relating to the overall activities of BTG Pactual through a single set of financial statements. Our combined financial statements, however, are not required to be presented by the Central Bank. Accordingly, our combined financial statements do not represent the individual or consolidated financial statements of Banco BTG Pactual and its subsidiaries nor BTGI and its subsidiaries, and should not be used as a basis for the calculation of dividends and taxes or for the analysis of profitability or performance of such entities.

Selected Balance Sheets and Income Statements

The balance sheet and income statement of Banco BTG Pactual as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements and related notes of Banco BTG Pactual prepared in accordance with IFRS included in this Prospectus. The balance sheet of BTG Pactual Participations as of the years ended December 31, 2011 and 2012 and the income statement of BTG Pactual Participations for the year ended December 31, 2012 are derived from and should be read in conjunction with the consolidated audited financial statements and related notes of BTG Pactual Participations prepared in accordance with IFRS and in *reais* included in this

Prospectus. The balance sheet and income statement of BTGI as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements of BTGI and related notes prepared in accordance with IFRS included in this Prospectus. Our combined balance sheet and combined income statement as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with our combined audited financial statements and related notes prepared in accordance with Brazilian GAAP.

Emphasis Paragraphs Included in the Auditors' Reports

The auditors' reports to Banco BTG Pactual's, BTG Pactual Participations' and BTGI's financial statements included elsewhere in this Prospectus include emphasis paragraphs related to the matters described below.

Ernst & Young Terco Auditores Independentes S.S. has not performed an audit or review of BTGI's and Banco BTG Pactual's financial statements for the six-month period ended June 30, 2013.

Banco BTG Pactual's Financial Statements

Banco PanAmericano S.A., or Banco PanAmericano, which Banco BTG Pactual jointly controls with CaixaPar Participações S.A., or CaixaPar, was, as of December 31, 2011, not in compliance with the regulatory operating limits required by the Central Bank. During 2011, Grupo Silvio Santos, a shareholder of Banco PanAmericano at the time, contributed R$1.3 billion in funds to Banco PanAmericano, and a shareholder's deposit was also made in the amount of R$620.0 million for asset recovery purposes. In addition, in January 2012, Banco PanAmericano's shareholders approved a capital increase in an amount of up to R$1.8 billion, of which R$972.0 million was subscribed for and fully paid as of January 31, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the BTG Pactual Group's Results of Operations—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE."

In addition, Banco PanAmericano had income and social contribution tax credits amounting to R$3,014.0 million as of December 31, 2012 and R$2,575.0 million as of December 31, 2011, as indicated in the reports from Banco BTG Pactual's auditors to its audited consolidated financial statements as of and for the year ended December 31, 2011 and 2012. The credits were recognized substantially on the basis of financial projections and a business plan reviewed and approved by the board of directors of Banco PanAmericano. These projections and plan include studies on current and future economic scenarios and include several assumptions. The realization of these tax credits depends on the materialization of these projections and business plan.

As described in Note 2 to Banco BTG Pactual's audited consolidated financial statements as of and for the year ended December 31, 2011 and 2012, Banco BTG Pactual was fully merged with (i) BTG Participações II S.A. and (ii) Copacabana Prince Participações S.A. Pursuant to the rules established by the Central Bank., Banco BTG Pactual's auditors have examined the procedures adopted in these mergers and have determined that, in their opinion, such procedures complied with applicable regulatory standards.

As described in Note 1 to Banco BTG Pactual's audited consolidated financial statements as of and for the year ended December 31, 2010 and 2011, Banco BTG Pactual was fully merged with BTG Pactual Investimentos S.A. Pursuant to the rules established by the Central Bank, Banco BTG Pactual's auditors have examined the procedures adopted in these mergers, which, in their opinion, complied with applicable regulatory standards.

BTG Pactual Participations' Financial Statements

Note 11 of the interim condensed consolidated financial statements for the six-month period ended June 30, 2013 describes the uncertainty related to the outcome of the lawsuit filed against the BTG Pactual Participations' jointly controlled entitiy ATLL Concessionaria de La Generalitat de Catalunya S.A.

BTGI's Financial Statements

Ernst & Young Terco Auditores Independentes S.S. previously audited our consolidated financial statements as of and for the years ended December 31, 2011 and 2012, pursuant to which it issued an unqualified opinion, dated February 19, 2013. As mentioned in note 2 to our financial statements as of and for the years ended December 31, 2011 and 2012 included elsewhere in this Prospectus, following such issuance of this initial opinion, the BTG Pactual Group's management identified a subsequent event previously undisclosed. As a result, our consolidated financial statements as of and for the years ended December 31, 2011 and 2012 included in this Prospectus are restated pursuant to IASB IAS 10 – Events After the Reporting Period. Consequently, the auditors' opinion included in such financial statements considers those adjustments and replaces the opinion formerly issued.

Our Unaudited Combined Adjusted Income Statement

In addition to the consolidated income statements of Banco BTG Pactual, BTG Pactual Participations and BTGI presented in accordance with IFRS and combined income statement of the BTG Pactual Group presented in accordance with Brazilian GAAP, this Prospectus also includes the BTG Pactual Group's unaudited adjusted income statement for the years ended December 31, 2010, 2011 and 2012 and a discussion of such unaudited adjusted income statement. The BTG Pactual Group's management believes that this additional presentation of the BTG Pactual Group's unaudited adjusted income statement provides information which is more consistent with the manner in which the BTG Pactual Group's publicly-traded global investment banking competitors present financial information to the market.

The BTG Pactual Group's unaudited adjusted income statement includes a revenues breakdown by business unit, net of funding costs and other expenses allocated to such Unit, and a reclassification of certain other expenses and costs for the years ended December 31, 2010, 2011 and 2012. The BTG Pactual Group's unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing Banco BTG Pactual and BTGI's audited income statements in accordance with IFRS, respectively, for the years ended December 31, 2010, 2011 and 2012. The classification of the line items in the BTG Pactual Group's adjusted income statement, however, is unaudited and materially differs from the classification of the corresponding line items in Banco BTG Pactual and BTGI's income statements. The BTG Pactual Group's adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be construed as segment information under IFRS 8 because the BTG Pactual Group's management does not rely on this information for decision-making purposes.

Below is a summary of certain material differences between the BTG Pactual Group's unaudited adjusted income statement and the BTG Pactual Group's combined income statements presented in accordance with Brazilian GAAP:

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

	Unaudited Adjusted Income Statement	Combined Income Statement
Revenues	Our revenues are denominated in *reais*, the functional currency of Banco BTG Pactual and the reporting currency used in our combined financial statements. We present our revenues segregated by business unit. To produce our combined adjusted income statement, each transaction is allocated to a business unit, and the associated revenue, net of transaction and funding costs (when applicable), is reported as generated by such business unit.	Our revenues are denominated in *reais*, the functional currency of Banco BTG Pactual and the reporting currency used in our combined financial statements. Our revenues are presented in accordance with Brazilian GAAP, which follows the standards established by COSIF. COSIF determines a segregation of revenues that generally follows the contractual nature of the transactions and is in line with the classification of the assets and liabilities, from which such revenues are derived, reported in our combined balance sheet. Revenues are presented without deduction of corresponding financial or transaction costs.
Expenses	Our revenues included in our combined adjusted income statement are presented net of certain expenses, such as trading losses, as well as transaction costs and funding costs which can be directly associated to such revenues. We also deduct from our revenues included in our combined adjusted income statement the cost of funding of our net equity, which is separately reported as a revenue under "interest and other." General and administrative expenses that are typically incurred to support our operations are presented separately in our combined adjusted income statement.	We present the break down of our expenses in accordance with standards established by COSIF. Pursuant to COSIF, financial expenses, such as the costs incurred to fund our positions, and trading losses, such as the net losses incurred in connection with derivative transactions, are presented as separate line items and are not deducted from the financial revenues with which they are associated. Transactions costs, such as brokerage fees, are usually capitalized as part of the acquisition cost of assets and liabilities in our inventory. General and administrative expenses typically incurred to support our operations are presented separately in our combined income statement.
Revenues from our principal investments	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives and from foreign exchange variations. Revenues are also reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including our own asset management unit.	Revenues and expenses from principal investments are included as part of different lines items of our income statement, including interest income/expenses, gain (losses) on financial instruments held for trading and available for sale, and share of profits of associates and joint ventures. Losses from principal investments, including trading losses and derivative expenses, are presented as financial expenses in separate line items.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Revenues from our sales and trading unit	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives and from foreign exchange variations. Revenues are also deducted from transaction costs.	Revenues from sales and trading are included in numerous revenue line items of our combined income statement, including marketable securities, derivative financial income, foreign exchange and compulsory investments. Losses from sales and trading, including trading losses, derivative expenses and funding and borrowings costs are presented as financial expenses in separate line items.
Revenues from the BTG Pactual Group's interest and other	Revenues from interest and other correspond basically the cost of funding of our net equity, which is the internal opportunity cost for remunerating our net equity, typically determined based on the CDI rate. The cost of funding is charged directly from our business units' revenues, and the ones primarily affected by such deductions are those which carry larger inventories of financial instruments (i.e., sales and trading, commercial lending and principal investments Units). Revenues are also impacted by the ineffectiveness of the economic hedge of the net equity exposure of foreign investments.	We generally do not have an income statement line item corresponding to revenues relating to interest and other because such item consists of internal transactions (and, with respect to Banco BTG Pactual, transactions between businesses Units). We record the cost of third party funding operations by issuing securities or entering into other funding transactions (e.g. repurchase agreements) differently in our and its income statement. We record such costs as interest expenses and gain (losses) on financial instruments held for trading, costs as funding operations and borrowing and onlendings in its income statement.
Revenues from our corporate lending unit	Revenues are presented net of funding costs, including the cost of funding our net equity.	Revenues from corporate lending are included in certain revenue line items of our combined income statement, including credit operations, marketable securities and derivative financial income. Losses from corporate lending, including derivative expenses, are presented as financial expenses in separate line items.
Revenues from the BTG Pactual Group's PanAmericano unit	Revenues consist of Banco BTG Pactual's proportional share of the profits of Banco PanAmericano, and are presented net of funding costs, including the cost of funding the BTG Pactual Group's net equity.	Banco BTG Pactual's proportional share of Banco PanAmericano is recorded as equity in the earnings of associates and jointly controlled entities.
Salaries and Benefits	Salaries and benefits include mainly compensation expenses and corresponding social security contributions.	Generally recorded as personnel expenses.

Bonus	Bonus expenses include our cash profit-sharing plan expenses, calculated as a percentage of our net revenues.	Generally recorded as employees' statutory profit-sharing.
Retention expenses	Retention expenses include the pro rata accrual of employee retention program expense	Generally recorded as personnel expenses.
Administrative and others	Administrative and Others are expenses such as consulting fees, offices, IT, travel, and expenses for presentations and conferences as well as other general expenses.	Generally recorded as other administrative expenses, tax charges and other operating expenses.
Goodwill amortization	Goodwill amortization of investments in operating subsidiaries other than private equity investments.	Generally recorded as other operating expenses.
Tax charges, other than income tax	Tax expenses are mostly comprised of taxes applicable to our revenues which, by their nature, are not considered by us as transaction costs, including PIS, Cofins and ISS.	Generally recorded as tax charges other than income taxes.
Income tax and social contribution	Income tax and other taxes applicable to net profits.	Generally recorded as income tax and social contribution.

In addition, in preparing the BTG Pactual Group's unaudited adjusted income statement for the years ended December 31, 2011 and 2012, BTGI's net exposure to foreign currencies (recorded as other comprehensive income (expense) under the line item "currency translation adjustments" in its audited income statement) were reclassified and presented under the "interest and other" line item of the BTG Pactual Group's adjusted income statement. Such reclassification seeks to offset the effects of hedging instruments presented under the "interest and other" line item. As a result of this reclassification, the BTG Pactual Group's adjusted income statement increased by R$298.3 million and R$282.4 million for the years ended December 31, 2011 and 2012, respectively. The BTG Pactual Group manages and evaluates its performance in *reais*, given that the majority of its revenues and expenses are denominated in such currency.

The table below presents a comparison between the net income presented in BTGI's and Banco BTG Pactual's audited income statements and the net income presented in the BTG Pactual Group's unaudited adjusted income statement for the years ended December 31, 2012, 2011 and 2010:

	For the years ended December 31,		
	2010	**2011**	**2012**
BTGI			
Net income as reported - IFRS	316.3	172.0	910.9
Differences between IFRS and Brazilian GAAP	-	(25.5)	1.0
Translation adjustment	-	298.3	282.4
BTGI's net income used on adjusted income statement	316.3	444.7	1,194.3
Banco BTG Pactual			
Net income as reported – Brazilian GAAP	810.9	1,477.0	2,061.2
The BTG Pactual Group net income as per adjusted income statement	1,127.2	1,921.7	3,255.6

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The differences discussed above are not exhaustive and should not be construed as a reconciliation of the BTG Pactual Group's adjusted income statement to the revenues presented in the BTG Pactual Group's combined income statements, as derived from the respective financial statements, or any combination thereof. The business units presented in the BTG Pactual Group's combined adjusted income statement should not be presumed to be operating segments under IFRS because the management of the BTG Pactual Group does not rely on such information for decision-making purposes. In addition, although its management believes that its adjusted income statement is useful for evaluating the BTG Pactual Group's performance, such adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles.

Assets Under Management

Assets under management, or AUM, consists of clients' assets (including our private wealth clients) that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds.

Wealth Under Management

Wealth under management, or WUM, consists of private wealth clients' assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds, including through our asset management products. Accordingly, a portion of our WUM is also allocated to our AUM to the extent that our wealth management clients invest in our asset management products.

Assets Under Administration

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

Average Balances

Unless the context requires otherwise, average balances of government bonds portfolio, credit portfolio, repurchase agreements, reverse repurchase agreements, CDB and CDI funding portfolio, broader credit portfolio were calculated by adding the final balance at December 31 of the previous year and the final balance at June 30 and December 31 of the year in respect of which the average balance is being reported and dividing the sum of such balances by three. Our broader credit portfolio, includes loans, receivables, advances in foreign exchange contracts, marketable securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit). These average balances are equally applicable to all financial information included in this Prospectus, regardless of whether such financial information is derived from our combined financial statements prepared in accordance with Brazilian GAAP, the consolidated financial statements of Banco BTG Pactual prepared in accordance with IFRS, the consolidated financial statements of BTG Pactual Participations prepared in accordance with IFRS and the consolidated financial statements of BTGI prepared in accordance with IFRS.

Merchant Banking and Private Equity Activities

Private equity activities are part of our asset management business unit and refer to our management of private equity funds whose capital is sourced from third party qualified investors as well as our own capital. When we, primarily through BTGI, make investments in private equity funds and, primarily through Banco BTG Pactual, make investments in real estate assets, funds and investment vehicles, in each case managed by Banco BTG Pactual, we refer to such activities as merchant banking activities. Merchant banking activities are part of our principal investments business unit.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Market information

The information contained in this Prospectus relating to Brazil and the Brazilian economy is based on information published by the Central Bank, other public entities and independent sources, including the National Association of Capital Markets Participants (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), or ANBIMA, the Brazilian Federation of Banks (*Federação Brasileira de Bancos*), or FEBRABAN, the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografía e Estatística*), or IBGE, the Getulio Vargas Foundation (*Fundação Getúlio Vargas*), or FGV, the Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing*), or ABEL, the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, the National Monetary Council (*Conselho Monetário Nacional*), or CMN, and the Superintendency of Private Insurance (*Superintendência de Seguros Privados*), or SUSEP, and the São Paulo Stock Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, among others. The information contained in this Prospectus relating to markets in which we operate other than Brazil is based on Thomson Financial and Institutional Investor. Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information, and neither us nor the listing agent makes any representation as to the accuracy of such data.

Rounding

Certain percentages and other amounts included in this Prospectus have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

Convenience Translation

Solely for the convenience of the reader, we have converted certain amounts contained in "Summary," "Capitalization and Indebtedness," "Selected Financial and Operating Information," and elsewhere in this Prospectus from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R$2.04 to US$1.00, which was the exchange rate in effect as of December 31, 2012, as published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, option 5. The U.S. dollar equivalent information presented in this Prospectus is provided solely for your convenience and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely, and the exchange rate as of December 31, 2012 may not be indicative of future exchange rates. See "Exchange Rates" for information regarding the *real*/U.S. dollar exchange rates.

EXCHANGE RATES

Before March 14, 2005, there were two foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market, where exchange positions of Brazilian banks in the commercial market and the floating market were unified and differentiated solely for regulatory purposes.

The commercial market was reserved primarily for foreign trade transactions and transactions that generally require prior registration with the Central Bank, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad. Purchases of foreign exchange in the commercial market could be carried out only through a financial institution in Brazil authorized to buy and sell currency in that market. The commercial market rate was the commercial selling rate for converting Brazilian currency into U.S. dollars, as reported by the Central Bank.

On March 4, 2005, the CMN unified the commercial market and the floating market through the enactment of Resolution No. 3,265, effective March 14, 2005, which was succeeded by CMN Resolution No. 3.568, enacted on May 29, 2008, thereby producing a single exchange market in place of the previous two. The unified exchange market is intended to simplify both inbound and outbound foreign exchange transactions by permitting exchange contracts to be executed by those local institutions that are authorized to deal in foreign exchange.

The Brazilian foreign exchange rules were recently made more flexible. For example, on March 23, 2010 the CMN enacted Resolution No. 3,844, which, as amended, consolidates the general provisions relating to foreign capital entering Brazil through direct investments and financial transactions. Such rule governs the registry of flows of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. The Central Bank, by means of Circular No. 3,491 dated March 24, 2010, also simplified the registry of transactions. The new rules were included in the Regulation of the Exchange Market and Foreign Capital (*Regulamento do Mercado de Câmbio e Capitais Internacionais*) and several outdated rules were revoked.

The main aspects of the abovementioned rules are the following:

- financial transfers (to and from Brazil), in *reais* or foreign currency, related to the flow of foreign capital pursuant to Resolution No. 3,844, are regulated by the Brazilian exchange market;
- specific approvals or prior consent of the Central Bank are no longer required; and
- the Central Bank has waived some requirements for presentation of information relating to a transaction.

Exchange rates for the *real* can be highly volatile. The *real* appreciated throughout 2007 from R$2.14 per US$1.00 on December 31, 2006 to R$1.77 per US$1.00 on December 31, 2007. In 2008, mainly as a result of the negative impact of the global financial crisis on the Brazilian economy, the *real* depreciated significantly against the U.S. dollar. The *real*/U.S. exchange rate on December 31, 2008 was R$2.34 per US$1.00, a 24.2% depreciation in relation to the December 31, 2007 rate. In 2009, the *real* stabilized and then commenced appreciating against the U.S. dollar and, as of December 31, 2009, the U.S. dollar/*real* exchange rate was R$1.74 per US$1.00, representing an appreciation of 33.8%. In 2010, the *real* fluctuated against the U.S. dollar and, as of December 31, 2010, the *real*/U.S. dollar exchange rate was R$1.67 per US$1.00, an appreciation of 3.5% compared to December 31, 2009. In 2011, the *real* continued to fluctuate against the U.S. dollar and, as of December 31, 2011, the U.S. dollar/*real* exchange rate was R$1.8758 per US$1.00. As of December 31, 2012, the exchange rate for the *real* against the U.S. dollar was R$2.04 per US$1.00, and as of October 7, 2013, such exchange rate was R$2.21 per US$1.00.

EXCHANGE RATES

The following table shows the *real*/U.S. Ptax 800 selling rate for U.S. dollars as published by the Central Bank for the periods and dates indicated:

	Closing Selling Rates of R$ per US$1.00			
Year Ended	**Low**	**High**	**Average[1]**	**Period End**
December 31, 2007	1.73	2.16	1.95	1.77
December 31, 2008	1.56	2.50	1.84	2.34
December 31, 2009	1.70	2.42	1.99	1.74
December 31, 2010	1.66	1.88	1.76	1.67
December 31, 2011	1.78	1.88	1.84	1.88
December 31, 2012	1.70	2.11	1.95	2.04

Month Ended	Low	High	Average[1]	Period End
January 2013	1.99	2.05	2.03	1.99
February 2013	1.96	1.99	1.97	1.98
March 2013	1.95	2.02	1.98	2.01
April 2013	1.97	2.02	2.00	2.00
May 2013	2.00	2.13	2.03	2.13
June 2013	2.12	2.26	2.17	2.22
July 2013	2.23	2.29	2.25	2.29
August 2013	2.27	2.45	2.34	2.37
September 2013	2.20	2.39	2.27	2.23
October (through October 7, 2013)	2.20	2.21	2.21	2.21

(1) Represents the average of exchange rates on each day of each respective month during the periods indicated.

Brazilian law provides that, whenever there is a serious imbalance in Brazil’s balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Factors Relating to Brazil."

USE OF PROCEEDS

We will not receive any proceeds in connection with the listing of the European Units and the underlying securities on NYSE Euronext Amsterdam.

CAPITALIZATION AND INDEBTEDNESS

The tables below show the capitalization and indebtedness of Banco BTG Pactual and BTG Pactual Participations as of June 30, 2013.

You should read this table together with the sections "Presentation of Financial and Other Information," "Summary— B.7 Selected Historical Key Financial Information and Results of Operation," "Selected Financial and Operating Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our financial statements and the related notes thereto included elsewhere in this Prospectus.

The information set forth below is derived from the unaudited consolidated financial statements of Banco BTG Pactual and BTG Pactual Participations as of June 30, 2013, which have been prepared in accordance with IFRS.

Solely for the convenience of the reader, we have converted amounts from June 30, 2013 presented in the capitalization and indebtedness tables from *reais* into U.S. dollars using the rate R$2.22 to US$1.00, which was the exchange rate in effect as of that date.

Banco BTG Pactual Capitalization

(Unaudited)	**As of June 30, 2013**	
	(in R$ millions)	**(in US$ millions)**
Total short-term debt	**136,359.1**	**61,545.0**
Guaranteed	-	-
Secured[(1)]	51,472.7	23,232.0
Not guaranteed/Unsecured	84,886.3	38,313.0
Total long-term debt	**21,715.8**	**9,801.3**
Guaranteed	-	-
Secured[(1)]	193.7	87.4
Not guaranteed/Unsecured	21,522.1	9,713.9
Equity	**11,312.1**	**5,105.7**
Capital	6,462.5	2,916.8
Other reserves	4,849.6	2,188.9
Non-controlling interest	**286.7**	**129.4**
Total capitalization[(2)]	**169,673.7**	**76,581.4**

(1) Secured debt corresponds to Open market funding and it is comprised basically of repurchase transactions.
(2) Total capitalization corresponds to the sum of Financial liabilities held for trading, Derivative financial instruments, Open market funding, Amounts payable to banks, Other financial liabilities carried at amortized cost, Tax liabilities, Other liabilities, Total shareholders' equity and non-controlling shareholders.

CAPITALIZATION AND INDEBTEDNESS

Banco BTG Pactual Indebtedness

(Unaudited)	As of June 30, 2013	
	(in R$ millions)	(in US$ millions)
Total cash and cash equivalent		
Cash at banks	1,139.0	514.1
Open market investments	25,919.4	11,698.6
Amounts receivable from banks	4,940.2	2,229.7
Financial assets held for trading	58,976.0	26,618.5
Financial assets designated at fair value through profit and loss	20,387.5	9,201.8
Other loans and receivables	4,335.1	1,956.6
Other assets	11,909.1	5,375.1
Liquidity	**127,606.3**	**57,594.4**
Open market funding	(51,472.7)	(23,232.0)
Financial liabilities held for trading	(32,241.9)	(14,552.2)
Amounts payable to banks	(403.5)	(182.1)
Other financial liabilities carried at amortized cost	(24,190.8)	(10,918.4)
Other liabilities	(10,294.1)	(4,646.2)
Current financial debt	**(118,603.1)**	**(53,530.9)**
Net current financial indebtedeness	**9,003.2**	**4,063.5**
Noncurrent financial indebtednes		
Noncurrent assets	15,060.4	6,797.4
Noncurrent liabilities	(19,155.8)	(8,645.9)
Net Financial indebtedness	**4,907.8**	**2,215.1**

BTG Pactual Participations Capitalization

(Unaudited)	As of June 30, 2013	
	(in R$ millions)	(in US$ millions)
Total short-term debt	**21,099.1**	**9,523.0**
Guaranteed	-	-
Secured(1)	18,649.4	8,417.3
Not guaranteed/Unsecured	2,449.6	1,105.6
Total long-term debt	**4,003.8**	**1,807.1**
Guaranteed(2)	2,380,0	1,074,2
Secured	-	-
Not guaranteed/Unsecured	1,623,8	732,9
Equity	**878.8**	**396.6**
Capital	717.4	323.8
Other reserves	161.4	72.8
Non-controlling interest	**3,131.1**	**1,413.2**
Total capitalization(3)	**29,112.8**	**13,139.9**

(1) Secured debt corresponds to Open market funding and it is comprised basically of repurchase transactions.

(2) These liabilities at amortized cost are unconditionally and irrevocably guaranteed by BTG Pactual Holding S.A.. Such guarantees are made in connection with the US$200 Million Credit Agreement with Citibank N.A. obtained on February 5, 2013, the US$100 Million Senior Unsecured Term Loan with Bank of America N.A obtained on February 6, 2013 and the US$700.0 Million Senior Notes issued on April 10, 2013. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—BTGI (and consequently, BTG Pactual Participations) Indebtedness on pages 159 to 160 for further information.

(3) Total capitalization corresponds to the sum of Open market funding, Derivative financial instruments, Financial liabilities held for trading, Financial liabilities at amortized costs, Payables to brokers, Other liabilities, Shareholders' equity and non-controlling interest.

CAPITALIZATION AND INDEBTEDNESS

BTG Pactual Participations Indebtedness

(Unaudited)	As of June 30, 2013	
	(in R$ millions)	**(in US$ millions)**
Total cash and cash equivalent		
Cash at banks	340.6	153.74
Open market investments	2,593.9	1,170.72
Financial assets held for trading	18,333.0	8,274.49
ue from brokers	2,181.6	984.67
Liquidity	**23,449.1**	**10,583.62**
Open market funding	(18,649.4)	(8,417.33)
Financial liabilities held for trading	(1,571.5)	(709.28)
Financial liabilities at amortized cost	(466.8)	(210.68)
Due to brokers	(281.8)	(127.18)
Other liabilities	(105.5)	(47.60)
Current financial debt	**21,075.0**	**9,512.09**
Net current financial indebtedeness	**2,374.1**	**1,071.53**
Noncurrent financial indebtedness		
Financial liabilities at amortized cost	(2,225.1)	(1,004.29)
Net Financial indebtedness	**149.0**	**67.24**

SELECTED FINANCIAL AND OPERATING INFORMATION

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

Banco BTG Pactual

Banco BTG Pactual prepares its consolidated financial statements in *reais* in accordance with accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, or Brazilian GAAP. Law No. 11,638/07 and Law No. 11,941/09 amended Brazilian Corporations Law and introduced the process of conversion of financial statements into International reporting Standards, as published by International Accounting Standards Board (IASB)("IFRS"). However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements which follow certain of the IFRS, as adopted by the IASB, as from December 31, 2010. However, as a result of Banco BTG Pactual's registration as a public company with the CVM and the ongoing requirements of its status as a public company, it was required to prepare consolidated financial statements for the years ended December 31, 2010, 2011 and 2012 in accordance with IFRS to comply with CVM disclosure rules. Unless the context requires otherwise, any reference to Banco BTG Pactual's financial statements as of and for the years ended December 31, 2010, 2011 and 2012 in this Prospectus are to those consolidated financial statements of Banco BTG Pactual prepared in accordance with IFRS. This Prospectus does not include financial statements of Banco BTG Pactual for any period in accordance with Brazilian GAAP. See "Annex A: Differences Between Brazilian GAAP and IFRS."

BTG Pactual Participations and BTGI

BTG Pactual Participations and BTGI maintain their books and records in U.S. dollars and prepare financial statements in accordance with IFRS. Pursuant to CVM Instruction No. 480/09, however, we are required to prepare consolidated financial statements of BTG Pactual Participations and BTGI in *reais*. Therefore, any reference to the financial statements (or line items that are included in or are derived from such financial statements, such as shareholders' equity or partners' equity) of BTG Pactual Participations and BTGI in this Prospectus are to those financial statements (or line items) prepared in *reais*. We converted the financial statements of BTG Pactual Participations and BTGI using (i) the year-end prevailing exchange rate for assets and liabilities; and (ii) month-end prevailing exchange rates for income and expenses, and recorded a corresponding gain or loss from such translation against their respective net equity. BTG Pactual Participations was incorporated in December 29, 2010 and therefore no management's discussion and analysis for the results of its operations for the year ended December 31, 2010 is provided as it has no results of operations for that year.

Although BTGI's consolidated financial statements as of and for the year ended December 31, 2009 are included in this Prospectus (as well as an auditor's report covering such period), unless otherwise indicated, we are not providing disclosure of any type as of and for the year ended December 31, 2009 in this Prospectus, including in the "Summary Financial Information," "Selected Financial and Operating Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections.

The BTG Pactual Group

Our combined balance sheet and combined income statement as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with our combined audited financial statements and related notes prepared in accordance with Brazilian GAAP. The balance sheet and income statement of Banco BTG Pactual as of and for the years ended December 31, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements and related notes of Banco BTG Pactual prepared in accordance with IFRS and in *reais* included in this Prospectus. The balance sheet of BTG Pactual Participations as of the years ended December 31, 2011 and 2012 and the income statement of BTG Pactual Participations for the year ended December 31, 2012 are derived from and should be read in conjunction with the consolidated audited financial statements and related notes of BTG Pactual Participations prepared in accordance with IFRS and in *reais* included in this Prospectus. The balance sheet and income statement of BTGI as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements of BTGI and related notes prepared in accordance with IFRS included in this Prospectus.

The presentation of our combined income statement is based upon Brazilian GAAP, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market. Our combined adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principals and should not be construed as segment information under IFRS 8 because our management does not rely on this information for decision making purposes.

Our combined adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such Unit, and a reclassification of certain other expenses and costs for the years ended December 31, 2010, 2011 and 2012 and a discussion of such combined adjusted income statement. Our combined adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our combined income statement in accordance with Brazilian GAAP for the years ended December 31, 2010, 2011 and 2012. The classification of the line items in our combined adjusted income statement, however, is unaudited and materially differs from the classification of the corresponding line items in our combined income statement, as further described below. See "Presentation of Financial and Other Information—Our Unaudited Combined Adjusted Income Statement."

We have translated some of the *real* amounts included in this Prospectus into U.S. dollars. You should not construe these translations as representations by us that the amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R$2.0435 to US$1.00, the U.S. dollar selling rate as of December 31, 2012, published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, option 5. See "Exchange Rates."

Banco BTG Pactual

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	**2011**	**2012**	**2012**
		(in R$ millions)		**(in US$ millions)**
Assets				
Cash and balances at Central Bank	1,622.5	1,391.4	1,024.4	501.3
Financial assets at fair value through profit or loss				
Financial assets held for trading	34,582.8	36,291.8	62,592.7	30,630.1
Financial assets designated at fair value through profit and loss	23,269.8	7,728.6	6,324.1	3,094.7
Derivative financial instruments	3,329.7	3,271.9	9,993.9	4,890.6
Loans and receivables				

Open market investments	1,854.0	10,895.8	15,726.9	7,696.1
Amounts receivable from banks	86.7	958.6	1,917.8	938.5
Other loans and receivables	4,238.3	8,278.5	10,324.5	5,052.4
Held-to-maturity financial assets	-	3,788.5	4,100.4	2,006.6
Deferred tax assets	923.7	1,387.9	1,550.1	758.6
Other assets	2,746.5	6,900.9	6,998.7	3,424.9
Investment in associates and jointly controlled entities	0	733.3	2,561.1	1,253.3
Property, plant and equipment	197.9	58.4	95.7	46.8
Intangible assets	198.7	706.3	1,215.2	594.7
Total assets	73,050.6	82,392.1	124,425.7	60,888.5
Liabilities and shareholders' equity				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	19,053.0	13,215.4	11,637.5	5,694.9
Derivative financial instruments	3,382.6	3,178.2	10,149.3	4,966.6
Financial liabilities carried at amortized cost				
Open market funding	30,800.2	29,949.2	49,064.9	24,010.2
Amounts payable to banks	338.9	576.4	627.1	306.9
Other financial liabilities carried at amortized cost	11,891.9	22,850.8	30,993.3	15,166.8
Tax liabilities	570.0	759.9	1,535.2	751.3
Other liabilities	1,476.2	5,316.8	9,975.7	4,881.7
Total shareholders' equity and non-controlling shareholders	5,537.7	6,545.5	10,442.8	5,110.3
Total liabilities	73,050.6	82,392.1	124,425.7	60,888.5

Selected Consolidated Income Statement (IFRS – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Interest income	1,789.4	3,112.5	3,870.5	1,894.1
Interest expense	(1,987.3)	(3,966.0)	(4,446.2)	(2,175.8)
Net interest income	(198.0)	(853.4)	(575.7)	(281.7)
Net gains on financial instruments	1,277.1	1,906.0	4,081.1	1,997.1
Net exchange variations	68.8	249.3	116.2	56.9
Fees and commissions	798.8	1,087.1	2,108.8	1,032.0
Share of profit in associates and jointly controlled entities	-	85.5	282.7	138.3
Other operating income/(expenses)	151.7	61.2	(121.9)	(59.7)
Net revenues	2,098.4	2,535.6	5,891.2	2,882.9
Administrative expenses	(255.2)	(355.5)	(636.6)	(311.5)
Personnel expenses	(457.1)	(740.2)	(1,542.2)	(754.7)
Provisions for credit losses	(7.0)	(30.0)	(468.3)	(229.2)
Tax charges (other then income tax)	(183.9)	(290.5)	(283.3)	(138.6)
Income before taxes and profit sharing	1,195.1	1,119.4	2,960.9	1,448.9
Income tax and social contribution	(379.6)	220.2	(806.8)	(394.8)
Net income for the year	815.6	1,339.6	2,154.1	1,054.1
Net income attributable to:				
Controlling shareholders	815.6	1,334.6	2,133.0	1,043.8
Non-controlling interests	-	5.0	21.1	10.3

Other comprehensive income				
Exchange differences on translation of foreign operations	(13.6)	200.8	132.8	65.0
Total comprehensive income for the year	801.9	1,540.4	2,286.9	1,119.1
Total comprehensive income attributed to:				
Controlling shareholders	801.9	1,535.4	2,265.7	1,108.7
Non-controlling interests	-	5.0	21.1	10.3

BTG Pactual Participations

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity and non-controlling interest	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

Selected Consolidated Income Statements (IFRS – audited)

	For the year ended December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Interest income	-	5.4	48.0	23.5
Interest expense	-	(23.4)	(88.9)	(43.5)
Interest income/expenses, net	-	(18.0)	(40.9)	(20.0)
Gains (losses) on financial instruments held for trading	-	273.8	637.9	312.2
Gains (losses) on financial assets available for sale	-	-	546.9	267.6
Share of profit of associates and joint ventures	-	-	(5.5)	(2.7)
Fees and commission	-	99.9	-	-
Other income	-	24.3	43.5	21.3
Total income	-	379.9	1,181.9	578.4
Administrative expenses	-	(122.1)	(207.6)	(101.6)
Personnel expenses	-	(74.9)	-	-

Other expenses	-	(10.9)	(63.4)	(31.0)
Total expenses	-	(207.9)	(271.0)	(132.6)
Net income for the year	-	171.9	910.9	445.8
Net income attributed to:				
Controlling shareholders	-	-	58.7	28.7
Non-controlling shareholders	-	171.9	852.1	417.0
0,01 cm Other comprehensive income				
Financial assets available for sale	-	-	(14.2)	(6.9)
Translation adjustments	-	291.6	322.9	158.0
Total comprehensive income for the year	-	463.5	1,219.7	596.9
Total comprehensive income attributed to:				
Controlling shareholders	-	-	89.3	43.7
Non-controlling shareholders	-	463.5	1,130.3	553.1

BTGI

Selected Consolidated Balance Sheets (IFRS – audited)

	As of December 31,			
	2010	**2011**	**2012**	**2012**
	(in R$ millions)			**(in US$ millions)**
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

SELECTED FINANCIAL AND OPERATING INFORMATION

Selected Consolidated Income Statements (IFRS – audited)

	For the year ended December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Interest income	54.8	5.4	48.0	23.5
Interest expense	(54.1)	(23.4)	(88.9)	(43.5)
Interest income/expenses, net	0.7	(18.0)	(40.9)	(20.0)
Gains (losses) on financial instruments held for trading	452.2	273.8	637.9	312.2
Gains (losses) on financial assets available for sale	-	-	546.9	267.6
Share of profit of associates and joint ventures	-	-	(5.5)	(2.7)
Fees and commission	116.7	99.9	-	-
Other income	2.7	24.3	43.5	21.3
Total income	572.3	379.9	1,181.9	578.4
Administrative expenses	(141.3)	(122.1)	(207.6)	(101.6)
Personnel expenses	(97.0)	(74.9)	-	-
Other expenses	(17.8)	(10.9)	(63.4)	(31.0)
Total expenses	(256.1)	(207.9)	(271.0)	(132.6)
Net income for the year	316.2	171.9	910.9	445.8
Other comprehensive income				
Financial assets available for sale	-	-	(14.2)	(6.9)
Translation adjustments	(71.7)	291.6	322.9	158.0
Total comprehensive income for the year	244.5	463.5	1,219.7	596.9

The BTG Pactual Group

Selected Combined Balance Sheet (Brazilian GAAP – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Assets				
Cash and bank deposits	1,725.3	545.5	608.9	298.0
Interbank investments	31,295.7	22,578.9	23,980.1	11,734.8
Marketable securities and derivatives	53,509.7	62,036.6	98,439.8	48,172.2
Interbank transactions	134.1	876.7	475.0	232.4
Loans	4,049.8	5,041.3	7,990.4	3,910.2
Other receivables	11,895.9	19,977.4	15,184.7	7,430.7
Other assets	42.5	27.1	36.0	17.6
Permanent asset	403.0	1,405.4	4,068.3	1,990.8
Total assets	103,056.1	112,488.9	150,783.2	73,786.7
Liabilities				
Deposits	10,573.5	14,137.7	14,605.9	7,147.5
Open market funding	49,729.5	48,977.4	74,044.5	36,234.2
Funds from securities and accepted	1,305.7	3,774.6	8,480.1	4,149.8
Interbank transactions	0.0	0.0	0.4	0.2
Loans and onlendings	722.7	1,027.1	2,191.0	1,072.2
Derivatives	2,219.6	3,181.5	8,628.7	4,222.5
Subordinated liabilities	0.0	4,158.3	6,246.1	3,056.6
Other liabilities	31,134.3	28,448.4	22,241.5	10,884.0
Deferred income	24.3	31.6	111.9	54.8
Shareholders’ equity	7,346.4	8,540.1	14,145.0	6,921.9

Non-controlling interest	0.0	212.2	88.1	43.1
Total liabilities	103,056.1	112,488.9	150,783.2	73,786.7

Selected Combined Income Statements (Brazilian GAAP – audited)

	As of December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Financial income	4,044.5	6,627.1	10,025.3	4,905.9
Loans	369.1	1,014.3	1,373.7	672.2
Securities	3,279.8	5,322.1	8,046.0	3,937.4
Derivative financial instruments	326.8	-	426.0	208.5
Foreign Exchange	68.9	249.6	116.5	57.0
Mandatory investments	-	41.1	63.2	30.9
Financial expenses	(2,482.6)	(4,577.2)	(5,313.8)	(2,600.3)
Funding operations	(2,503.4)	(4,018.8)	(4,258.0)	(2,083.7)
Borrowing and onlending	27.8	(524.2)	(587.5)	(287.5)
Derivative financial instruments	-	(4.2)	-	-
Allowance for loan losses and other receivables	(7.0)	(30.0)	(468.3)	(229.2)
Net financial income	1,561.9	2,049.8	4,711.5	2,305.6
Other operating income (expenses)	221.9	107.7	242.9	118.9
Income from services rendered	819.7	1,115.3	2,003.5	980.4
Personnel expenses	(278.1)	(395.4)	(606.0)	(296.6)
Other administrative expenses	(306.2)	(382.6)	(666.9)	(326.4)
Tax charges	(196.3)	(290.5)	(286.6)	(140.2)
Equity in the earnings of associates and jointly controlled	-	(3.5)	240.3	117.6
Other operating income	243.6	167.8	153.4	75.1
Other operating expenses	(60.8)	(103.5)	(594.9)	(291.1)
Operating income	1,783.8	2,157.5	4,954.4	2,424.5
Non-operating income (expenses)	(24.8)	9.2	(12.0)	(5.9)
Income before taxation and profit sharing	1,759.0	2,166.7	4,942.4	2,418.6
Income tax and social contribution	(380.7)	200.4	(727.5)	(356.0)
Provision for income tax	(71.1)	(125.6)	(607.5)	(297.3)
Provision for social contribution	(39.7)	(54.6)	(285.7)	(139.8)
Deferred income tax and social contribution	(269.9)	380.6	165.7	81.1
Statutory profit sharing	(251.1)	(440.4)	(938.2)	(459.1)
Non-controlling interest	-	(5.0)	(21.1)	(10.3)
Net income for the year	1,127.2	1,921.7	3,255.6	1,593.1
Interest on equity	(15.4)	(319.0)	(440.0)	(215.3)

Adjusted Income Statement (Unaudited)

	For the year ended December 31,			
	2010	2011	2012	2012
	(in R$ millions)			(in US$ millions)
Investment banking	358.3	376.7	448.0	219.2
Corporate lending	251.1	366.4	564.6	276.3
Sales and trading	658.6	1,012.2	1,517.3	742.5
Asset management	374.5	507.1	1,190.2	582.4
Wealth management	106.8	149.7	201.7	98.7
PanAmericano	–	(52.0)	(244.5)	(119.6)

Principal investments	484.0	181.6	2,338.2	1,144.2
Interest and other	191.4	659.3	802.0	392.5
Total Revenues	2,424.7	3,201.0	6,817.6	3,336.2
Salaries and benefits	(192.2)	(236.4)	(326.0)	(159.5)
Retention expenses	(65.7)	(40.3)	(5.9)	(2.9)
Bonus	(257.3)	(521.0)	(1,168.6)	(571.9)
Administrative and others	(259.1)	(327.2)	(539.5)	(264.0)
Goodwill amortization	(8.4)	(31.2)	(467.4)	(228.7)
Tax expenses	(133.9)	(181.2)	(241.4)	(118.1)
Total operating expenses	(916.6)	(1,337.3)	(2,748.8)	(1,345.1)
Earnings before taxes	1,508.1	1,863.7	4,067.7	1,990.6
Income tax	(381.0)	57.9	(812.2)	(397.5)
Net income	1,127.2	1,921.7	3,255.6	1,593.1

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

Overview

We are an investment bank, asset manager and wealth manager with a dominant franchise in Brazil. In addition, we have established a successful international investment and distribution platform. Currently, we have offices on four continents, and provide a comprehensive range of financial services to a Brazilian and global client base that includes corporations, institutional investors, governments and high net worth individuals, or HNWI. Our seven business units are:

- **Investment Banking**, which provides financial advisory and capital markets services;
- **Corporate Lending**, which offers financing and loan guarantees to corporations;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes;
- **Asset Management**, which offers asset management services with a broad range of products across major Brazilian and international asset classes to Brazilian and international clients;
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI;
- **PanAmericano**, our commercial and consumer banking business conducted through Banco PanAmericano, an independent Brazilian bank that we have co-controlled since mid-2011, which focuses on granting automobile loans, direct consumer loans, payroll deduction loans, middle market loans and mortgages, primarily to individuals and corporations in Brazil; and
- **Principal Investments**, which involves our capital investments with respect to a broad range of financial instruments, including merchant banking and real estate investments in Brazil and investments in a variety of financial instruments in global markets, which investments are primarily managed by our asset management unit.

We are committed to further expand our platform outside of Brazil and in 2012, Banco BTG Pactual acquired Celfin, a leading broker dealer in Chile that also operates in Peru and Colombia, and Bolsa y Renta, a leading broker dealer in Colombia. Both Celfin and Bolsa y Renta have a wide array of products and services (concentrating in investment banking, sales and trading, asset management and wealth management), and we intend to further expand their operations to include many of the additional products and services we currently offer in Brazil. We believe our transactions with Celfin and Bolsa y Renta represent milestones in our efforts to replicate our history of success in Brazil throughout Latin America, and uniquely position us as a true leader throughout the region.

Banco BTG Pactual and BTGI are sister entities that have the same ultimate beneficial owners. Banco BTG Pactual, the principal operating company in the group, was founded as a small broker-dealer, and has grown by creating new business units and expanding the activities within these business units. BTGI, the investment vehicle for many of BTG Pactual's principal investments (including most of its non-Brazilian investments and certain of its Brazilian investments), was originally formed in late 2008. BTGI acts as a vehicle for part of the principal investment business of BTG Pactual, and has no operating activities or employees. Its assets are managed by Banco BTG Pactual's asset management unit, which receives arm's length fees and commissions from BTGI for its services. Such fees and commissions are primarily recorded by Banco BTG Pactual as revenue in its asset management unit.

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

BTGI is not an issuer of the Units, although holders of Units own an indirect equity interest in BTGI through their ownership of equity interests in BTG Pactual Participations. BTG Pactual Participations, one of the issuers of the Units, is the general partner of BTGI and is the vehicle for Unit holders to indirectly hold interests in BTGI, and, through its subsidiary BTG Bermuda Holdco, owns 21.9% of BTGI's limited partnership interests as of the date of this Prospectus. BTG Pactual Participations: (A) is the general partner of BTGI, (B) does not engage in any other business activity, (C) owns all of the capital stock of BTG Bermuda Holdco and (D) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in the initial public offering of BTG Pactual in April 2012, subsequent purchasers of Units and members of the Consortium. As a result of the foregoing, the Consolidated Income Statement (IFRS – audited) and Consolidated Balance Sheet (IFRS – audited) of BTGI set forth below represent financial condition and results of operations that are identical to those of BTG Pactual Participations. Except for the amounts recorded as net income attributable to controlling shareholders and net income attributable to non-controlling interests, most of the line items included in the Consolidated Income Statement (IFRS – audited) of BTG Pactual Participations are virtually the same as the respective line items in the Consolidated Income Statement (IFRS – audited) of BTGI. As a result of the foregoing, all risks of business and operations faced by BTGI are faced equally by BTG Pactual Participations.

Macroeconomic Environment

Most of BTG Pactual's business activities are conducted in Brazil. Accordingly, BTG Pactual is significantly affected by the general economic environment in Brazil. In addition, BTG Pactual derives substantial revenues from non-Brazilian securities and, therefore, is also subject to global economic conditions and, in particular, fluctuations in worldwide financial markets.

Economic activity in Brazil strengthened in 2010. The authorities increased the SELIC rate to 10.75% between April and July 2010, and maintained that rate through the end of the year. In 2010, the GDP in Brazil grew 7.5% and the inflation rate was 5.9%. In addition, the *real* appreciated 3.5% against the U.S. dollar, closing at R$1.67 per US$1.00 as of December 31, 2010.

Further tightening of macroeconomic policies occurred in 2011. The federal government announced cuts to the budget and, on July 20, 2011, the Central Bank increased the SELIC rate to 12.5%**.** Regulatory measures of credit restraint were also adopted. However, due to the worsening global macroeconomic environment and its potential impact on Brazilian economic growth and inflation levels, the Central Bank decided to decrease the SELIC rate over the course of the second half of 2011 in various steps to 11.0% as of December 31, 2011, in order to stimulate the economy while maintaining inflation within the acceptable range established by the Central Bank. In 2011, the IPCA inflation accumulated a variation of 6.5%, while the exchange rate reached R$1.88 per US$1.00 as of December 31, 2011, representing a 12.0% depreciation compared to the exchange rate as of December 31, 2010.

The unstable international economic environment in 2011, which reflected concerns with fiscal difficulties in Europe, impacted Brazil's stock market, which decreased 18.1% in 2011 as measured by the IBOVESPA index.

After a first half of 2011 marked by risk events and political turmoil in Greece, elections in France and the Spanish bank bailout, the third quarter of the year was marked by an improved political scenario and more accommodative monetary policies in many advanced and emerging economies. In Brazil, the loosening of the monetary policy since mid-2011 and the several other economic stimulus measures implemented by the government were expected to generate greater momentum toward the end of the year.

Signs of recovery in economic activity strengthened in 2012. The unemployment rate continued at historic lows and the slower pace of formal employment growth appeared to reflect supply side constraints. Credit aggregates showed moderate growth in 2012 but overall credit conditions have improved in recent months, with a continued decline in interest rates, lower pressure on delinquencies and some recovery in vehicle financing. Retail sales growth continued to run in line with this trend while industrial activity, the weaker spot of the economy in recent quarters, posted its third monthly expansion in a row in August 2012, before showing some accommodation in September 2012. There were also signs of more adjusted inventories.

Brazil's IPCA consumer price index at the end of 2012 was around 5.8%, far above the 4.5% center point of the country's annual inflation target, mainly due to food and beverages inflation, which represents 39% of the index, increasing 9.86%, primarily as a result of the increase in food prices. In 2012, food consumed at home prices increased 10.04% mostly due to climatic problems and rose much more than the 5.43% increase in 2011. In addition, there was an upward contribution from the fading impact of tax breaks for durable goods which had previously played a crucial role. The general price index (IGP) also accelerated during 2012, increasing 7.2%.

Regarding monetary policy, the SELIC rate was cut by 325 bps in 2012, from 10.50% in January 2012 to 7.25% in early October 2012, which was maintained at the December 2012 meeting of the Central Bank's Committee on Monetary Policy (*Comitê de Política Monetária*), or COPOM. Since the commencement of the monetary easing cycle in July 2011, SELIC rate cuts totaled 5.25%. COPOM has indicated a clear intention to maintain the SELIC rate at its current level for a prolonged period of time.

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

	For the year ended December 31,		
	2010	**2011**	**2012**
GDP growth	7.53%	2.73%	0.87%
CDI rate(1)	9.71%	11.60%	8.37%
TJLP(2)	6.00%	6.00%	5.25%
SELIC rate(3)	10.75%	11.00%	7.25%
Appreciation (depreciation) of *real* against the U.S. dollar(4)	3.47%	(11.98)%	(8.57)%
Selling exchange rate (at period end) R$per US$1.00(5)	R$1.67	R$1.88	R$2.04
Average exchange rate R$per US$1.00(6)	R$1.76	R$1.67	R$1.95
Inflation (IGP-M)(7)	11.32%	5.10%	7.81%
Inflation (IPCA)(8)	5.91%	6.50%	5.84%

Sources: BNDES, Central Bank, IBGE and Economática.

(1) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
(2) Taxa de Juros de Longo Prazo, or TJLP, represents the long-term interest rate applied by BNDES for long-term financing (at the end of the period).
(3) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC (at the end of period).
(4) Calculated for 2010, 2011 and 2012 using the exchange rate for conversion of U.S. dollars into *reais* on December 31 as compared to January 1 of the same year.
(5) The selling exchange rate at the end of the period.
(6) Average of the selling exchange rates on the last day of each month during the period.
(7) The inflation rate is the general index of market prices (*Índice Geral de Preços – Mercado*) or IGP-M, as calculated by FGV.
(8) The inflation rate is the Consumer Price Index, as calculated by the IBGE.

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

Significant Factors Materially Affecting Banco BTG Pactual's and BTGI's, and consequently, BTG Pactual Participations' Financial Condition and Results of Operations.

Banco BTG Pactual and BTG Pactual Participations (through BTGI) face a variety of risks that are substantial and inherent to their businesses, including market, liquidity, credit, operational, legal, regulatory and reputational risks. A summary of significant factors that could affect their businesses follows below. For a further discussion of these and other important factors that could affect their businesses, see "Risk Factors—Risk Factors Relating to Our Business and Industry." For a discussion of how management seeks to manage some of these risks, see "—Risk Management" below.

Market Conditions and Market Risk

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

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

- BTG Pactual's business units, such as the principal investment unit (which is conducted both by Banco BTG Pactual and BTGI) and corporate lending unit (which is conducted by Banco BTG Pactual), have exposures to debt securities, loans, derivatives, mortgages, equities (including private equity) and other types of financial instruments. In addition, Banco BTG Pactual maintains an inventory of securities on its balance sheet to facilitate its clients' activities in its sales and trading unit, including its market-making business. As a result, BTG Pactual commits large amounts of capital to maintain financial instruments in its trading book and, in the case of Banco BTG Pactual, loans and other debt instruments in its banking book. The majority of these long and short exposures to financial instruments is marked-to-market on a daily basis and, as a result, declines in asset values directly and immediately impact our respective earnings, unless such declines have been effectively "hedged." Even with respect to financial instruments that are not marked-to-market, declines in asset values may still eventually impact earnings, unless exposures to such declines have also been "hedged." In certain circumstances (particularly in the case of private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economically viable to hedge such exposures, and even to the extent that BTG Pactual do so, the hedge may be ineffective or may greatly reduce the ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices in financial markets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets may reduce our ability to limit losses in such positions, which could require us, as the case may be, to maintain additional capital and increase funding costs.
- Our cost of obtaining long-term unsecured funding is directly related to Banco BTG Pactual's and BTGI's respective credit spreads, which in turn are influenced by the market perceptions of Banco

BTG Pactual and BTGI's respective creditworthiness. Widening credit spreads, as well as significant declines in the availability of credit, may adversely affect our ability to borrow. We fund operations on an unsecured basis by issuing medium-term debt and long-term debt, by obtaining lines of credit or, in the case of Banco BTG Pactual only, by issuing deposits. We seek to finance assets, including less liquid assets, on a secured basis, including by entering into repurchase agreements and loans collateralized by interest in certain investments. Disruptions in credit and financial markets make it difficult and more expensive to obtain funding. If available funding is limited or we are forced to fund operations at higher costs, these conditions may require us, as the case may be, to curtail business activities or increase funding costs, both of which may reduce profitability, particularly in businesses that involve investing, lending and taking principal positions, including market making.

- In the recent past, all of BTG Pactual's business units, particularly our investment banking unit managed by Banco BTG Pactual were and may continue to be, adversely affected by challenging market conditions. For example, although we are not materially exposed to the debt of European countries such as Greece, Ireland, Italy, Portugal and Spain, there can be no assurance that the market disruptions that have been emerging in Europe since 2010, including the increased cost of funding for such countries' governments and financial institutions, will not spread, nor can there be any assurance that future financial assistance will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere, including Brazil and other markets in which we operate. With respect to Banco BTG Pactual's investment banking activities, unfavorable economic conditions and other adverse geopolitical conditions can adversely affect and have adversely affected the confidence of investors, companies and their controlling shareholders, and management teams, resulting in significant industry-wide declines in the size and number of underwritten capital raising and financial advisory transactions.

- Certain of our sales and trading and principal investment activities depend on market volatility to provide trading and arbitrage opportunities, and decreases in volatility may reduce these opportunities and adversely affect the results of BTG Pactual's sales and trading and principal investments business units. However, while increased volatility can increase trading volumes and spreads, such volatility also increases risk as measured by VaR (Value at Risk) and may expose us to increased risks in connection with BTG Pactual's sales and trading and principal investments units or cause us to reduce the size of these units in order to avoid increasing our VaR. Limiting the size of BTG Pactual's sales and trading or principal investment units could adversely affect us.

- The performances of BTG Pactual's asset management and wealth management units, conducted through Banco BTG Pactual, are directly influenced by prevailing economic conditions in Brazil and elsewhere. These activities generally depend on, among other factors, assumption by its clients (including us) of greater risk, which may decline in periods of economic uncertainty. In addition, unfavorable market conditions generally lead to increased interest rates for term deposits and fixed-income instruments. Any of these factors may cause Banco BTG Pactual's clients to transfer their assets out of its funds or affect its ability to attract new clients or additional assets from existing clients and result in reduced net revenues from these activities. Banco BTG Pactual receives management fees based on the value of its clients' portfolios or investment in funds managed by it and, in many cases, it also receives performance fees based on increases in the value of such investments, including such fees paid by BTGI. Declines in asset values reduce the value of Banco BTG Pactual's clients' portfolios or fund assets, including those in which it invests, which in turn reduce the management and performance fees it earns for managing such assets.

Liquidity Risk

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

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

Our credit ratings are a significant factor affecting our liquidity. A reduction in credit ratings could adversely affect our liquidity and competitive position, increase borrowing costs, limit access to capital markets or trigger certain obligations under bilateral provisions in certain trading and collateralized financing contracts to which we are party. Under these provisions, counterparties could, for example, be permitted to terminate contracts with us, or require us to post additional collateral. Termination of trading and collateralized financing contracts could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities transactions.

Credit and Counterparty Risk

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

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

As BTG Pactual has grown over the past several years, the amount and duration of our credit exposures has increased, and the number of entities to which we have credit exposure has also increased. Due to the wholesale nature of Banco BTG Pactual’s business, there is a natural concentration of risk in its credit portfolios.

The credit risk analysis of transactions and counterparties is performed by a credit committee for BTGI and an independent area (Credit Risk Control) for Banco BTG Pactual. The approval forum for both entities is the Credit Risk Committee, where the consent of both business and control functions is required.

Operational Risk

Banco BTG Pactual’s and BTGI’s (and consequently, BTG Pactual Participations’) businesses are highly dependent on the ability to process, monitor and settle, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as the information technology associated with the services Banco BTG Pactual provides to clients, must often adhere to jurisdiction or client specific guidelines as well as legal, tax and regulatory standards. Banco BTG Pactual and BTGI (and, thus, BTG Pactual Participations) rely on proprietary and third party vendor systems to conduct such transactions, and the integrity of these systems, including data protection and the avoidance of unauthorized access, is critical to Banco BTG Pactual and BTGI’s ability to conduct business. Accordingly, a disruption in the technology and infrastructure that supports these businesses and the communities in which they are located may adversely impact Banco BTG Pactual and BTGI (and, thus, BTG Pactual Participations). A disruption may involve unauthorized access, electrical failures, communications, internet, transportation or other services used by BTG Pactual or third parties with which it conducts business.

The interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses increases the risk that an operational failure at one institution may cause an industry-wide operational failure that could materially impact Banco BTG Pactual or BTGI’s ability to conduct business.

Legal and Regulatory Risk

Banco BTG Pactual and BTGI (and, consequently, BTG Pactual Participations) are subject to extensive and evolving regulation in jurisdictions around the world. Firms in the financial services industry have been operating in an increasingly difficult regulatory environment in recent years. Recent market disruptions have led to numerous proposals for significant additional regulation of the worldwide financial services industry. These regulations could limit our business activities, increase compliance costs and, to the extent the regulations strictly control the activities of financial services firms, make it more difficult for BTG Pactual to differentiate itself from competitors. Substantial legal liability or a significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our or its business.

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

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

Through Banco BTG Pactual's subsidiaries in the United States, Banco BTG Pactual is also subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and the SEC. Through BTG Pactual Europe LLP, one of Banco BTG Pactual's operating entities authorized by the FCA to provide investment services in the United Kingdom, it is additionally subject to the supervision of the FCA and related regulatory requirements in the United Kingdom. In addition, through BTG Pactual Asia, one of Banco BTG Pactual's operating entities authorized by the Hong Kong Securities and Futures Commission, or the SFC, Banco BTG Pactual must also comply with applicable SFC requirements and related regulatory requirements of Hong Kong. See "Risk Factors—Risk Factors Relating to the Regulatory Environment—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the United States to substantial additional regulation, and we cannot predict the effect of such regulation on our business.," "Regulatory Overview—Regulation in the United States" and "Regulatory Overview—Regulation in the United Kingdom." In addition, we are generally subject to Bermudan laws (see "Regulatory Overview—Regulation in Bermuda"). Celfin and Bolsa y Renta are also subject to regulatory capital requirements determined by Chilean and Colombian laws and regulators, respectively, calculated based on their own capital.

Tax Risk

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

Banco BTG Pactual and BTGI (and, consequently, BTG Pactual Participations) are subject to the tax laws of the applicable jurisdictions in which we conduct business. To determine the financial statement impact of accounting for taxes, including the provision for income tax expense and deferred tax assets, and to seek to comply with applicable tax law, Banco BTG Pactual (including on BTGI's behalf) must make assumptions and judgments about how to apply these tax laws. However, many of these tax laws are complex, subject to different interpretations and are frequently under review by governmental authorities. These reviews frequently result in revisions to applicable laws, regulations and interpretations thereof, sometimes with retroactive effect.

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

Banco BTG Pactual's tax department is accountable for managing tax risks for BTG Pactual and also for supporting all of BTG Pactual's business units and administrative areas. All potential risks are promptly and clearly reported to the Senior Management Team. Our tax planning is conducted by the asset management unit of BTG Pactual, which, through Banco BTG Pactual, also provides investment advisory services to our proprietary funds and other investments.

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

Reputational Risk

The success of Banco BTG Pactual and BTGI (and consequently, BTG Pactual Participations) businesses is highly dependent on BTG Pactual's reputation and, as result, BTG Pactual maintains principles and practices that it believes conform to the highest ethical standards. Banco BTG Pactual (including on BTGI's behalf through the asset management business unit) carefully and selectively reviews transactions and services before it accepts an engagement in order to minimize any potential damage to its reputation. We believe that damage to BTG Pactual's reputation can arise from (i) doing business with controversial counterparties or clients, (ii) the social, environmental or public impact of a transaction performed or facilitated by it, (iii) any action or decision that does not conform to the letter and spirit of the law and regulations to which Banco BTG Pactual or BTGI's clients are subject and (iv) the perceptions of Banco BTG Pactual's clients, counterparties, investors and regulators, or the public in general, with respect to the foregoing. To ensure the appropriate monitoring of reputational risks, BTG Pactual maintains a Code of Conduct (applicable to both Banco BTG Pactual and BTG Pactual Participations and their respective subsidiaries), which sets forth its principles regarding ethical business standards. In addition, BTG Pactual provides specific guidance on various topics in the form of internal policies and procedure manuals and offers extensive training for its entire staff.

Audited Financial Statements

Applicable Accounting Standards

Banco BTG Pactual

Banco BTG Pactual prepares its consolidated financial statements in *reais* in accordance with Brazilian GAAP. Law No. 11,638/07 and Law No. 11,941/09 amended Brazilian Corporations Law and introduced the process of conversion of financial statements into IFRS.

However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements which follow certain of the IFRS, as adopted by the IASB, as from December 31, 2010. However, as a result of Banco BTG Pactual's registration as a public company with the CVM and the ongoing requirements of its status as a public company, it was required to prepare consolidated financial statements for the years ended December 31, 2010, 2011 and 2012 in accordance with IFRS to comply with CVM disclosure rules. Unless the context requires otherwise, any reference to Banco BTG Pactual's financial statements as of and for the years ended December 31, 2010, 2011 and 2012 in this Prospectus are to those consolidated financial statements of Banco BTG Pactual prepared in accordance with IFRS. This Prospectus does not include financial statements of Banco BTG Pactual for any period in accordance with Brazilian GAAP. See "Annex A: Differences Between Brazilian GAAP and IFRS."

BTG Pactual Participations and BTGI

BTG Pactual Participations and BTGI maintain their books and records in U.S. dollars and prepare financial statements in accordance with IFRS. Pursuant to CVM Instruction No. 480/09, however, we are required to prepare consolidated financial statements of BTG Pactual Participations and BTGI in *reais*. Therefore, any reference to the financial statements (or line items that are included in or are derived from such financial statements, such as shareholders' equity or partners' equity) of BTG Pactual Participations and BTGI in this Prospectus are to those financial statements (or line items) prepared in *reais*. We converted the financial statements of BTG Pactual Participations and BTGI using (i) the year-end prevailing exchange rate for assets and liabilities; and (ii) month-end prevailing exchange rates for income and expenses, and recorded a corresponding gain or loss from such translation against their respective net equity. BTG Pactual Participations was incorporated on March 26, 2010 and on December 29, 2010, the Bermuda monetary authority approved the incorporation of the company. Accordingly, BTG Pactual Participations did not record material results of operations in 2010 and, therefore, no management's discussion and analysis for the year ended December 31, 2010 is being provided. BTG Pactual Participations is the general partner of BTGI. As a result, most of the line items included in the income statement of BTG Pactual Participations are virtually the same as the respective line items in the income statement of BTGI, except for the amounts recorded as net income attributable to controlling shareholders and net income attributable to non-controlling interests.

Prior to the completion of BTG Pactual's initial public offering, BTG Pactual Participations did not have economic interest in BTGI's net assets. The economic interest in BTGI's net assets was held by Partners and members of the Consortium, not by BTG Pactual Participations, and, therefore, was recorded as a non-controlling interest. The net income attributable to non-controlling interests of BTG Pactual Participations in 2011 was the total of BTGI's consolidated net income of R$172.0 million. BTG Pactual Participations did not present income statement in 2010 as its operations started in later December 2010. In 2012, BTG Pactual Participations presented as non-controlling interest in its income statement the economic income from the Partners and the remaining members of the Consortium which have not been converted into units as part of the withdrawal agreement.

Although BTGI's consolidated financial statements as of and for the year ended December 31, 2009 are included in this Prospectus (as well as an auditor's report covering such period), unless otherwise indicated, we are not providing disclosure of any type as of and for the year ended December 31, 2009 in this Prospectus, including in the "Summary Financial Information," "Selected Financial and Operating Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections.

BTG Pactual

Our combined balance sheet and combined income statement as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with our combined audited financial statements and related notes prepared in accordance with Brazilian GAAP. The balance sheet and income statement of Banco BTG Pactual as of and for the years ended December 31, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements and related notes of Banco BTG Pactual prepared in accordance with IFRS and in *reais* included in this Prospectus. The balance sheet and income statement of BTGI as of and for the years ended December 31, 2010, 2011 and 2012 are derived from and should be read in conjunction with the consolidated audited financial statements of BTGI and related notes prepared in accordance with IFRS included in this Prospectus.

BTGI is not an issuer of the Units, although holders of Units own an indirect equity interest in BTGI through their ownership of equity interests in BTG Pactual Participations. BTG Pactual Participations, one of the issuers of the Units, is the general partner of BTGI and is the vehicle for Unit holders to indirectly hold interests in BTGI, and, through its subsidiary BTG Bermuda Holdco, owns 21.9% of BTGI's limited partnership interests as of September 20, 2013. BTG Pactual Participations: (A) is the general partner of BTGI, (B) does not engage in any other business activity, (C) owns all of the capital stock of BTG Bermuda Holdco and (D) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in the initial public offering of BTG Pactual in April 2012, subsequent purchasers of Units and members of the Consortium. As a result of the foregoing, the Consolidated Income Statement (IFRS – audited) and Consolidated Balance Sheet (IFRS – audited) of BTGI set forth below represent financial condition and results of operations that are identical to those of BTG Pactual Participations. Except for the amounts recorded as net income attributable to controlling shareholders and net income attributable to non-controlling interests, most of the line items included in the Consolidated Income Statement (IFRS – audited) of BTG Pactual Participations are virtually the same as the respective line items in the Consolidated Income Statement (IFRS – audited) of BTGI. As a result of the foregoing, all risks of business and operations faced by BTGI are faced equally by BTG Pactual Participations.

BTG Pactual's combined financial statements were prepared solely to allow investors to evaluate the financial information relating to the overall activities of BTG Pactual through a single set of financial statements. Our combined financial statements, however, are not required to be presented by the Central Bank. Accordingly, our combined financial statements do not represent the individual or consolidated financial statements of Banco BTG Pactual and its subsidiaries nor BTGI and its subsidiaries, and should not be used as a basis for the calculation of dividends and taxes or for the analysis of profitability or performance of such entities.

Emphasis Paragraphs Included in the Auditors' Reports

Banco BTG Pactual's, BTG Pactual Participations' and BTGI's financial statements included elsewhere in this Prospectus include emphasis paragraphs. Please refer to information under "Presentation of Financial and Other Information."

Ernst & Young Terco Auditores Independentes S.S. has not performed an audit or review of BTGI's and Banco BTG Pactual's financial statements prepared in accordance with IFRS for the six-month period ended June 30, 2013.

Critical Accounting Policies

In connection with the preparation of financial statements presented elsewhere in this Prospectus, Banco BTG Pactual, BTGI and BTG Pactual, as the case may be, were required to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting periods. Their judgments are particularly relevant in the determination of fair values of financial assets and liabilities, allowance for loan losses and other receivables, provisions for recoverability of non-financial assets, realization of deferred income taxes, assets and liabilities and the assessment of the need for provisions for contingent liabilities. Although Banco BTG Pactual, BTG Pactual Participations, BTGI and BTG Pactual, as the case may be, believe that their judgment and estimates are based on reasonable assumptions and are made in light of information available to them, they are nevertheless subject to several risks and uncertainties and the actual results may differ from these judgments and estimates.

Set forth below is summarized information relating to the critical accounting policies, including the critical accounting policies used to prepare (i) the consolidated financial statements of Banco BTG Pactual, BTG Pactual Participations and BTGI in accordance with IFRS and (ii) the combined financial statements of BTG Pactual in accordance with Brazilian GAAP. See the notes to each of the respective financial statements included elsewhere in this Prospectus for further information on these critical accounting policies and other accounting policies.

IFRS Critical Accounting Policies Applicable to Banco BTG Pactual and BTGI (and consequently, BTG Pactual Participations)

Revenue and expense recognition

Our revenues from fees and commissions are recognized in the period in which such revenues are unconditionally earned and amounts are fixed or determinable.

Our interest income (expense) is recognized as earned (incurred), using the effective interest rate method.

Recognition of financial instruments

All our financial assets and liabilities are initially recognized on the trading date (i.e., the date on which we become an interested party to the contractual provisions of the instrument). This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standards.

The classification of our financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

Derivatives

Our derivative financial instruments are recorded at fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of our derivatives are recognized in our consolidated income statement as "gains (losses) on financial instruments held for trading." Derivatives embedded in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at fair value so long as (i) their economic characteristics and risks are not closely related to those of the host contract and (ii) the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from the host contract are held at fair value in the portfolio at fair value, and changes in the fair value are recognized in our consolidated income statement.

Financial assets and liabilities held for trading

Our financial assets or liabilities held for trading are recorded in our balance sheet at fair value. Variations in fair value, interest revenue, expenses and dividends are recorded as "gains (losses) on financial instruments held for trading." Included in this classification are: debt instruments, shares, positions sold and loans to customers which have been acquired specifically for the purpose of short term sale or repurchase.

Financial assets and liabilities designated at fair value through profit and loss

Our financial assets and liabilities designated at fair value through profit and loss are classified at initial recognition, which is individually determined for each instrument when one the following is observed:

- designation eliminates or significantly reduces the inconsistent treatment which would otherwise occur if assets and liabilities were measured or gains and losses were recognized differently;
- assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and whose performance is assessed based on fair value as part of a documented strategy of risk or investment management; or
- the financial instrument contains one (or more) embedded derivative(s), which significantly modify the cash flows that would otherwise be required by the agreement.

Our financial assets and liabilities designated at fair value through profit and loss are recorded in our consolidated balance sheets at fair value. Changes in the fair value and earned or incurred interest are recorded as "gains (losses) on financial instruments held for trading" in our income statement.

Financial assets available for sale

Our financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time which may be sold in response to a need for liquidity or changes in market conditions.

After initial recognition, our financial assets available for sale are measured at fair value, except when the fair value is not reliably measured, in which case assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the financial instruments available for sale, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement as "gain (losses) on financial assets available for sale."

In our income statement, we recognize losses on the impairment of these financial instruments in our income statement and remove them, when applicable, from the statement of comprehensive income.

"Day 1" profit or loss

When the transaction value is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized as "gain (losses) on financial instruments held for trading" in our income statements prepared in accordance with IFRS. In cases where the fair value is determined using unobservable market data, the difference between transaction value and the model value is only recognized when variables become observable or when the financial instrument is derecognized.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not listed in an active market, except for:

- those which are intended to be sold immediately or in the short-term and those initially designated at fair value through profit and loss;
- those initially designated on initial recognition as available for sale; or
- those for which we may not recover substantially all of our initial investment, other than because of credit deterioration.

After initial measurement, our loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

Financial liabilities at amortized cost

Our financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

A financial asset (or an applicable part of a financial asset or a group of similar assets) is derecognized when:

- the right to receive cash flows from such asset expires; or
- the right to receive cash flows from such asset is transferred or we have assumed the obligation to pay the total amount of cash flows received, without material delay, to a third party pursuant to a transfer agreement; or
- substantially all of the risks and benefits of such asset have been transferred; or
- we have neither transferred nor retained substantially all of the risks and benefits of such asset, but have transferred control of the asset.

When (i) we transfer the right to receive cash flows from an asset (without expiration of such asset) or (ii) have entered into an on-lending agreement, or (iii) have not transferred or retained substantially all of the asset's risks and benefits, or (iv) have not also transferred control of such asset, an asset is recognized to the extent we have continuing involvement with that asset. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations.

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Determining fair value

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

- Level 1: Price quotations observed in active markets for the same financial instrument;
- Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on a pricing model in which the relevant parameters are based on observable active market data; and
- Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

Financial instruments – Offsetting

Financial assets and liabilities are presented in our balance sheet net only if there is a current and enforceable legal right to offset the amounts recognized and there is the intention to offset, or to realize the asset and clear the liability, simultaneously.

Impairment of financial assets

Our impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in our income statement.

In the case of any evidence of impairment to financial assets available for sale, considering the acquisition cost and the current fair value, such losses will be recognized in our income statement against other comprehensive income.

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), we individually evaluate if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as "interest income." Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to "provisions for credit losses."

The present values of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate used to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities consist of entities over which we have significant influence or have joint control with respect to their operating and financial policies. These investments are initially recognized at their acquisition cost and are subsequently evaluated using the equity method of accounting. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

Non-current assets held for sale

Our non-current assets held for sale are measured at the lower of their carrying amount or fair value, less costs to sell, and are not depreciated. This category includes assets that are management committed to sell and such sale is highly probable to occur in less than a year.

Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Shares issued as part of the consideration transferred are measured at fair value at the issuance date. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

Deferred Income taxes

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable in the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date. Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

Provisions

Provisions are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative, is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

Brazilian GAAP Critical Accounting Policies Applicable to BTG Pactual's Combined Financial Statements

Investments in subsidiaries and associates

In preparing its combined financial statements, BTG Pactual records the results of operations from its associated and jointly controlled entities using the equity method of accounting. In the event there are any losses resulting from changes in the percentage of its participation in the capital of associated and jointly controlled entities, as the case may be, BTG Pactual recognize such losses as other operating expense.

Market Value

Securities and derivatives on Banco BTG Group's balance sheets (i.e., their inventory) are recorded at market value in their financial statements. Market value is defined as the amount that would be received to sell an asset, or paid to transfer a liability, in a transaction between independent market participants willing to negotiate such assets and liabilities at the determination date.

BTG Pactual determines the market value of their inventory based on unadjusted quoted prices of identical assets and liabilities negotiated in active markets or, in the absence of such information, on other price inputs that can be observed directly or indirectly in transactions executed in an active market. In addition, we hold financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, we use model based valuation techniques that determine the market value of a security or derivative from price inputs that cannot be observed in market transactions.

The determination of market value requires subjective assessments and varying degrees of judgment depending on liquidity, concentration, procedures governing the settlement of transactions by market participants and risks affecting the specific instrument, and ultimately depends on their managements' assumptions.

Each of BTG Pactual's business units is primarily responsible for the management of its inventory and for the determination of the fair market value of the instruments it reports. It is the responsibility of the relevant control functions to independently verify prices and ensure that the market value of inventory is appropriate and is determined on a reasonable basis. In the event of a discrepancy, the senior management of the control departments is ultimately responsible for the valuation of inventory.

Open Market Investments and Open Market Funding

Open market investments and funding are recorded at the historical values, plus accrued interest income and expenses to the applicable balance sheet date, recorded on a daily *pro rata* basis and calculated based on the variation in the indices or the interest rate agreed.

Securities

BTG Pactual records securities in our portfolios as follows:

- *Trading Securities.* Securities acquired for trading in our balance sheets at their acquisition cost, and recognize any valuation adjustments resulting from mark-to-market accounting and earnings derived from such securities on a daily basis. These adjustments and earnings are also recognized as revenues or expenses, as the case may be, in their income statements.
- *Securities available for sale. S*ecurities in our balance sheets not classified as trading securities or securities held to maturity are classified as securities available for sale. These securities are maintained in our books at their acquisition cost, and are marked-to-market on a daily basis following the same valuation criteria as with respect to the trading securities. However, the unrealized gains or losses from securities available for sale are recorded as other comprehensive income, or OCI, in our net equity in our income statements. Once the securities available for sale are sold or otherwise disposed of, unrealized gains or losses recorded as OCI are released through their income statements.
- *Securities held to maturity.* Securities that we intend and we have the financial capacity to hold through maturity are classified as held to maturity in our balance sheets at their acquisition cost and add any contractual earnings derived from such securities on a daily basis. These earnings are also recognized as revenues in our income statements. We do not make mark-to-market adjustments in connection with these securities. Securities classified in this category are subject to adjustments when permanent losses are identified.

Derivatives

BTG Pactual records options, futures contracts, swaps and forward positions as follows:

- *Options.* A premium received is classified as a liability until option maturity, when it is then recognized as a reduction of the cost of the acquired financial instrument underlying the option or as income, in the event that the option expires and is not exercised. A premium paid is classified as an asset until option maturity, when it is then recognized as an increase in the cost of the acquired financial instrument underlying the option or as an expense, in the event that the option expires and is not exercised. During the period of the contract, options are marked-to-market and the corresponding gain or loss is recorded in their income statements. The nominal value of the purchase and sale agreements is recorded in their memorandum accounts.
- *Futures contracts.* The daily adjustment of their futures contracts are recorded as income or expenses as effectively earned or incurred. The nominal value of the purchase and sale agreements is recorded in their memorandum accounts.
- *Swaps and non-deliverable forwards.* The differential receivable or payable is recorded in their balance sheets and the corresponding revenue or expense, respectively, is recorded in their income statements on a daily basis at market value. The nominal value of the purchase and sale agreements is recorded in their memorandum accounts.

- *Forward.* Long and short positions of each contract are booked separately as an asset and liability, respectively, in their balance sheets. The contracts are marked-to-market and the corresponding gain or loss is recognized in their income statements. The nominal value of the purchase and sale agreements is recorded in their memorandum accounts.

Loans and Allowance for Loan Losses

The classification of BTG Pactual's loans is based on the requirements of CMN Resolution No. 2,682/99, as amended, which requires us to periodically analyze the loan portfolios and classify our loans within nine rating levels, ranging from "AA" (minimum credit risk) to "H" (maximum credit risk). Any loans classified as level "H" (which requires a provision equal to the full amount of the loan) must be written off after being classified as such for a period of nine months. The write-off amount is recognized against the existing provision, and the write-off records are maintained for up to five years in their memorandum accounts. From this moment, the written off balances are no longer included in our balance sheet accounts, and any eventual recovery from loans allocated to their memorandum accounts is recognized only when cash is received. See "—Risk Management—Credit Risk."

Provision for Legal Contingencies

Banco BTG Pactual, one of the combined entities, is currently party to tax, labor and civil proceedings arising from the normal course of its business. For each of these legal proceedings, Banco BTG Pactual classifies as "probable," "possible" and "remote" the risk that any contingencies will materialize into actual losses. Banco BTG Pactual generally records provisions in its books when it classifies the risk of any loss related to these contingencies as probable. Banco BTG Pactual does not have provisions for contingencies when it considers the associated risk as possible or remote. It also does not recognize in its financial statements contingent assets, unless there is evidence based on an irrevocable decision of the relevant court or regulatory authority ensuring their realization. Banco BTG Pactual typically bases its classifications of the probability of losses on legal claims on the opinion of its external counsel, taking into consideration the analysis of the possible outcomes of the claims, the litigation strategies for challenging such claims or the possibility of entering into agreements in relation to such claims. Any change in the circumstances of the claims are taken into account in the process of classification of its risk of loss in the lawsuits to which it is a party and may lead it to revise its provision for contingencies.

Recognition of Results of Operations

Except with respect to certain financial instruments and transactions with securities and derivatives, BTG Pactual's results of operations are recognized on an accrual basis. For additional information regarding instruments and transactions which are not recognized on an accrual basis, see the notes to the combined financial statements of BTG Pactual. Management fees are recognized over the period that the related service is provided based upon average net asset values. In certain circumstances, we are also entitled to receive incentive fees based on a percentage of a fund's return or when the return on AUM exceeds specified benchmark returns or other performance targets. Performance fees are generally based on investment performance over a 6 or 12 month period and are recognized in their income statements when the measurement period ends.

Cash and Cash Equivalents

Cash at banks in our balance sheets includes cash on hand and bank deposits, together with short-term highly liquid investments that we believe are subject to insignificant risk of changes in value and have a maturity of 90 days or less. It does not include other highly liquid and unencumbered sovereign bonds that we consider as readily available liquidity in our cash positions in accordance with their liquidity management policies (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity").

Deferred Income Tax and Social Contribution

Banco BTG Pactual's income taxes and social contributions imposed by Brazilian law are recorded under current or deferred assets and/or liabilities.

For Banco BTG Pactual, current Brazilian income tax (IRPJ) is calculated based on its taxable income, as applicable, at the rate of 25.0% (15.0% plus an additional 10.0% for taxable income in excess of R$240,000). The Brazilian social contribution (CSLL) tax is calculated based on its taxable income at the following rates: (a) for Brazilian entities in its group that are deemed financial institutions under Brazilian tax law, 9.0% prior to April 30, 2008 and 15.0% after April 30, 2008, and (b) for Brazilian entities in its group that are deemed non-financial institutions under Brazilian tax law, 9.0%. Brazilian tax legislation allows them to offset tax losses from prior periods against the taxable income of the current period, with no time limitation, but only up to 30.0% of the taxable income of each fiscal year.

Deferred income tax and social contribution include the effects from the recognition of "temporary differences," which are composed mainly of amortization of goodwill and intangibles recognized in business combinations and provisions usually related to contingencies, allowance for loan losses and deferred earnings related to securities and derivatives, which are not deductible nor taxable in the calculation of the tax basis when accrued, but only at a later point in time when their financial realization occurs. When calculating the income tax, Banco BTG Pactual recognizes all recorded provisions as temporary differences. For purposes of recognition and maintenance of deferred tax assets, Banco BTG Pactual is required to comply with specific rules set forth by the Central Bank.

Current and Long-Term Liabilities

Current and long-term liabilities are stated at known or estimated values, including, as applicable, accrued charges and monetary (on a daily pro rata basis) and foreign exchange variation.

Offsetting Financial Securities and Derivatives

BTG Pactual offsets financial assets and financial liabilities and reports the corresponding net amount in our balance sheets if (i) they are legally entitled to offset such financial assets and liabilities and (ii) they intend to (a) settle such financial assets and financial liabilities on a net basis or (b) realize the financial asset and settle the financial liability simultaneously.

Sale and Transfer of Financial Assets

Until December 31, 2011, no specific accounting pronouncement addressed the recording of transfers of financial assets pursuant to Brazilian GAAP, except for when such a transfer involved a special purpose entity that is in substance controlled by the reporting entity. In addition, the sale or transfer of financial assets was derecognized from the balance sheet when the transferor retained all or substantially all of the risks and benefits relating to the ownership of such transferred asset. Commencing on January 1, 2012, 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.

BTG Pactual's Unaudited Adjusted Income Statement

In addition to the income statements of Banco BTG Pactual and BTGI presented in accordance with IFRS and BTG Pactual presented in accordance with Brazilian GAAP, this Prospectus also includes BTG Pactual's unaudited adjusted income statement for the years ended December 31, 2010, 2011 and 2012 and a discussion of such unaudited adjusted income statement. BTG Pactual's management believes that this additional presentation of BTG Pactual's unaudited adjusted income statement provides information which is more consistent with the manner in which BTG Pactual’s publicly-traded global investment banking competitors present financial information to the market.

BTG Pactual’s unaudited adjusted income statement includes a revenues breakdown by business unit, net of funding costs and other expenses allocated to such unit, and a reclassification of certain other expenses and costs for the years ended December 31, 2010, 2011 and 2012. BTG Pactual’s unaudited adjusted income statement is derived from the same accounting information that generated accounting records used BTGI’s and Banco BTG Pactual’s audited income statements in accordance with IFRS and Brazilian GAAP, respectively, for the years ended December 31, 2010, 2011 and 2012. The classification of the line items in BTG Pactual’s adjusted income statement, however, is unaudited and materially differs from the classification of the corresponding line items in BTGI’s and Banco BTG Pactual’s income statements. BTG Pactual’s adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be construed as segment information under IFRS 8 because BTG Pactual’s management does not rely on this information for decision-making purposes.

A summary of certain material differences between BTG Pactual’s unaudited adjusted income statement and Banco BTG Pactual’s or BTGI’s income statements (which are derived from Banco BTG Pactual’s and BTGI’s respective financial statements prepared in accordance with IFRS) is discussed under "Presentation of Financial and Other Information—BTG Pactual’s Unaudited Adjusted Income Statement."

Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual

Initial Public Offering

On April 30, 2012, BTG Pactual completed its initial public offering, consisting of 103,500,000 Units, each representing, directly or through depositary receipts, (i) one common share and two preferred shares of the capital stock of Banco BTG Pactual and (ii) one voting share and two non-voting shares of BTG Pactual Participations, which in turn purchased partnership interests in us with the proceeds therefrom. The majority of these units were listed in Brazil on the BM&FBOVESPA, and 129,000 Units were also listed in Europe on the Alternext Amsterdam, the multilateral trading facility operated by Euronext Amsterdam N.V. The majority of the units offered in the initial public offering are represented by primary securities, resulting in gross proceeds of approximately R$2,587.5 million, of which Banco BTG Pactual received R$2,070.0 million and BTG Pactual Participations received R$517.5 million. Banco BTG Pactual has and expects to continue to use the proceeds from the initial public offering to, among other things, increase its corporate lending and sales and trading operations and develop new lines of business. The IPO proceeds received by Banco BTG Pactual qualify as Tier I capital for regulatory purposes. BTG Pactual Participations has in the past and expects to continue to use its portion of the proceeds from the initial public offering to, among other things, pursue principal investments opportunities.

Divesture of BTG Alpha

Banco BTG Pactual’s consolidated financial statements covering the period from January 1, 2009 to March 31, 2010 do not reflect investment in BTG Alpha, which were transferred by BTGI to Banco BTG Pactual on March 31, 2010. BTG Alpha was BTGI’s subsidiary which made certain merchant banking investments in Brazil, owning equity stakes in MMC Automotores do Brasil S.A. (12.4%), Farmais Franchising Ltda. (50.0%), All Park Empreendimentos, Participacões e Serviços S.A. (95.0%), Suzuki Veículos do Brasil S.A. (12.4%), Brazil Pharma S.A., or Brazil Pharma (19.7%) and Derivados do Brasil S.A (51.0%), which collectively are referred to as the Partners’ Merchant Banking Companies. This transfer was implemented as a purchase and sale, for consideration substantially equivalent to the carry value of BTG Alpha in BTGI’s books, equal to R$92.4 million, and BTGI derecognized the investment in BTG Alpha from its books as of such date. As a result of this transfer, the Partners’ Merchant Banking Companies are no longer included in

BTGI's principal investment portfolio and BTG Alpha became a wholly-owned subsidiary of an exempted limited partnership established under the laws of Bermuda, BTG MB Investments L.P., or the Merchant Banking Partnership, that is owned solely by the Partners. On April 1, 2010, the Merchant Banking Partnership started to pay a management fee equal to 2.0% of the total AUM of the Merchant Banking Partnership and a performance fee equal to 20.0% of the return on the investments to the asset management unit of Banco BTG Pactual, which is serving as the investment advisor to such partnership. In addition, BTGI made a series of loans, totaling R$92.4 million, to the Merchant Banking Partnership to finance its acquisition of BTG Alpha. Such loans were repaid in full in November 2010. However, the terms of the loans continue to provide BTGI with a portion of the profits made on certain of BTG Alpha's investments in the Partners' Merchant Banking Companies. In particular, with respect to certain designated investments that existed at the time of such loans (or that were purchased by means of the capital commitments made with the proceeds of such loans), the Merchant Banking Partnership is required to make a cash payment to BTGI equal to 50% of the aggregate net profits on all such investments, or the Merchant Banking Equity Kicker. The Merchant Banking Equity Kicker applies only to certain investments made in the past by us that were transferred to the Merchant Banking Partnership. It does not apply to any of BTGI's other merchant banking investments, including those made by our private equity funds. The Merchant Banking Equity Kicker is due on May 21, 2015, if all such designated investments have been divested by such date. If any of the applicable investments have not been divested, then the payment of the Merchant Banking Equity Kicker will be postponed until a later date when all divestitures are complete (provided that, at the election of the Merchant Banking Partnership, subsequent to May 21, 2015, with respect to undivested assets, the terms of the loans set forth mechanisms to determine the value of these investments at such time for purposes of determining the value of, and paying, the Merchant Banking Equity Kicker).

Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE

In January 2011, Banco BTG Pactual entered into an agreement to purchase 100% of the shares in Banco PanAmericano held by Grupo Silvio Santos for R$450.0 million, representing a 37.64% equity interest in Banco PanAmericano (composed of 51.0% of its voting shares and 21.97% of its non-voting shares). The transaction was approved by the Central Bank and closed on May 27, 2011. Such acquisition triggered a requirement that Banco BTG Pactual commence a tender offer to purchase additional shares of Banco PanAmericano held by its minority shareholders. This tender offer was completed on September 16, 2011, resulting in an acquisition of an immaterial amount of additional non-voting shares of Banco PanAmericano. As a result, Banco BTG Pactual maintained its 34.1% equity interest in Banco PanAmericano's total outstanding equity. In connection with this acquisition, Banco BTG Pactual and CaixaPar, the co-controlling entity which owns a 37.0% equity interest in Banco PanAmericano's total capital stock, entered into a shareholders agreement which establishes the conditions for the shared control of Banco PanAmericano. In addition, CaixaPar reiterated its commitment to preserve its strategic alliance with Banco PanAmericano by entering into a cooperation agreement under which CaixaPar agreed to acquire credits originated by, and invest in deposits issued by Banco PanAmericano, thus helping to support its future business. Banco PanAmericano and CaixaPar also intend to expand the range of the financial products and services they offer through leveraging on their distribution channels. Banco BTG Pactual believes the deal will strengthen its partnership with CaixaPar.

The banking supervision and compliance with regulatory capital requirements of Banco PanAmericano are performed and measured on a segregated basis from those of Banco BTG Pactual. Accordingly, Banco BTG Pactual calculates its regulatory capital without giving effect to the assets and liabilities, risks and financial position of Banco PanAmericano, and it does not perform the proportional consolidation of Banco PanAmericano into its balance sheet. This results in each of Banco BTG Pactual and Banco PanAmericano continuing to calculate the respective regulatory capital requirements on a stand-alone basis, as two independent banking conglomerates.

In November 2010, Banco PanAmericano disclosed that a series of accounting inconsistencies had been uncovered at Banco PanAmericano which resulted in losses totaling R$2.5 billion. Upon such announcement, Grupo Silvio Santos and CaixaPar sought to prevent new inconsistencies by electing a new management team at Banco PanAmericano. In addition, Grupo Silvio Santos agreed to make Banco PanAmericano whole for such losses by injecting capital into it for the same total amount. Subsequently, additional financial irregularities totaling R$1.3 billion and other adjustments totaling R$0.5 billion were identified. As a consequence, on January 31, 2011, Grupo Silvio Santos injected an additional R$1.3 billion into Banco PanAmericano and agreed to sell its stake in Banco PanAmericano to Banco BTG Pactual. Banco BTG Pactual elected new officers and directors of Banco PanAmericano in April 2011. As a result of the significant weaknesses and irregularities of the accounting systems and internal controls of Banco PanAmericano at the time of acquisition, it is currently executing important investments in technology and processes in order to improve operational and competitive conditions of the bank. In addition, Banco BTG Pactual, together with Caixa, elected the new management of Banco PanAmericano.

In April 2011, Banco BTG Pactual acquired senior quotas of a credit receivable investment fund, or FIDC, representing 80% of the fund's capital. The FIDC is composed exclusively of credits originated by Banco PanAmericano in the total amount of approximately R$3.5 billion. Such credits were previously acquired from Banco PanAmericano indirectly by Fundo Garantidor de Crédito—FGC, which established the FIDC and retained ownership of subordinated quotas representing 20% of the FIDC's capital. In December 2011, Banco BTG Pactual acquired the subordinated quotas of the FIDC, as a result increasing Banco BTG Pactual's ownership in the FIDC to 100%.

Banco PanAmericano generated a consolidated net income of R$164.5 million in 2011 and a consolidated net loss of R$364.5 million in 2012 in accordance with IFRS. Banco BTG Pactual cannot assure you that it will not continue to generate net losses in 2013 or thereafter. Banco BTG Pactual records the results of operations from Banco PanAmericano using the equity method of accounting, pursuant to which its share of Banco PanAmericano's net income or net losses is recognized in its income statement as equity in the earnings of associates and jointly controlled entities. Banco PanAmericano recorded substantial adjustments to accumulated losses in 2011. Accordingly, Banco BTG Pactual recorded gains of R$61.7 million in connection with Banco PanAmericano's equity pick-up for 2011 and losses of R$106.5 million in 2012 in accordance with IFRS. Banco PanAmericano's management is taking several initiatives intended to improve Banco PanAmericano's profitability and aiming to avoid further losses.

On January 18, 2012, Banco PanAmericano's shareholders approved a capital increase in an amount of up to R$1.8 billion, with an issue price of R$6.05 per share. Banco BTG Pactual and CaixaPar committed to exercise preemptive rights for an aggregate amount of R$1.335 billion, with Banco BTG Pactual's share amounting to R$677.0 million. However, Banco BTG Pactual agreed that, upon the request of TPG-Axon, it would transfer part of its preemptive rights with respect to a total of R$182 million of its R$677 million commitment. TPG-Axon elected to exercise such rights and, on April 17, 2012, subscribed for preferred shares representing, after the capital increase, 12.0% of Banco PanAmericano's preferred shares and 5.55% of its total capital stock, thus reducing Banco BTG Pactual's contribution to R$495.4 million. Following such exercise, Banco BTG Pactual maintained its 51.0% equity interest in Banco PanAmericano's common shares, and Banco BTG Pactual and CaixaPar continue to co-control Banco PanAmericano pursuant to the terms of a shareholders agreement which establishes the conditions for their shared control.

On January 31, 2012, Banco BTG Pactual and Banco PanAmericano entered into definitive agreements to purchase 100% of the shares of Brazilian Finance & Real Estate, or BFRE. The total purchase price (subject to adjustment) was approximately R$1.21 billion (without including the R$335 million purchase price of certain assets by Banco BTG Pactual described below), of which R$940 million was paid by Banco PanAmericano and R$270 million was paid by Banco BTG Pactual. Prior to the closing of the transaction on July 19, 2012, BFRE was divided into two companies by means of a spin-off. The first such company, which Banco BTG Pactual acquired, retained the rights to advise, manage and/or administer certain real estate and equity investment funds. In addition, Banco BTG Pactual paid approximately R$335.0 million to purchase certain real estate and equity investment funds held by BFRE. The remainder of the businesses conducted by BFRE will remain in the second company, which was purchased by Banco PanAmericano. Banco BTG Pactual has recorded net gains of R$83.1 million in the year ended December 31, 2012 due to the acquisition of BFRE.

Banco BTG Pactual believes that the actions described above will enhance the capital structure of Banco PanAmericano and support its growth plans. However, it is possible that the initiatives meant to return Banco PanAmericano to profitability may not meet the expected results and that new capital injections at Banco PanAmericano will be required. See "Risk Factors—Risk Factors Relating to Banco BTG Pactual's Business and Industry—Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our recent acquisition of a co-controlling interest in Banco PanAmericano or Banco PanAmericano's acquisition of BFRE could have a material adverse effect on us."

Acquisition of Celfin

On November 13, 2012, Banco BTG Pactual concluded the purchase of all of the outstanding shares of Celfin. In connection with the transaction, Banco BTG Pactual, through BTG Pactual Chile Spa., paid the owners of Celfin a total of US$451.5 million (equivalent to R$930.0 million) in cash, and the former owners of Celfin acquired approximately 2.2% of the total outstanding equity interests in Banco BTG Pactual and BTGI for R$391.8 million and US$49.1 million, respectively. Such equity interest is subject to repurchase by BTGI at a nominal amount in certain limited circumstances during the four years following completion of the transaction. Such provisions are designed to provide the former shareholders of Celfin with incentives to remain active participants in the combined entity following the transaction, and Banco BTG Pactual expects that they will do so.

As of December 31, 2012, BTG Pactual Chile had consolidated shareholders' equity and total assets of R$2,153.7 million and R$923.5 million, respectively, prepared in accordance with IFRS. For accounting purposes, Celfin's results have been consolidated by Banco BTG Pactual since November 1, 2012. Banco BTG Pactual recorded goodwill in the amount of R$573.0 million in this transaction in accordance with IFRS and it has recorded net losses of R$10.9 million in the year ended December 31, 2012 due to the acquisition of Celfin.. See "Business—Celfin."

Establishment of One Properties and Merger into BR Properties

On June 10, 2011, Banco BTG Pactual entered into an investment agreement with WTorre Properties S.A. to establish One Properties S.A., or "One Properties," a jointly-controlled company focused on the development, acquisition, leasing and sale of commercial & industrial/logistics real estate properties in Brazil. Under the terms of this transaction, which settled on November 22, 2011, a real estate vehicle controlled by Banco BTG Pactual through a 91.9% equity interest, Saíra Diamante Empreendimentos Imobiliários S.A., transferred real estate assets and cash to One Properties in the aggregate amount of R$1.5 billion in exchange for 49.9% of the ownership interests in the joint venture, plus warrants that permit it to purchase an additional 23.4% ownership interest, subject to certain conditions.

On January 14, 2012, Banco BTG Pactual and WTorre Properties S.A. agreed to merge One Properties with BR Properties S.A., or "BR Properties," another leading real estate company in Brazil. On March 29, 2012, the transaction closed, resulting in the creation of the largest publicly traded commercial real estate company in Brazil, with over R$10 billion in assets. In connection therewith, 129,813,498 new common shares of BR

Properties were issued to the original shareholders of One Properties in exchange for the shares of One Properties previously held by them. As a result, One Properties' original shareholders hold a 41.9% equity interest in BR Properties, with Banco BTG Pactual owning 28.3% of BR Properties' shares. As part of this transaction, Saíra Diamante Empreendimentos Imobiliários S.A., Banco BTG Pactual's subsidiary, was also merged into BR Properties. Banco BTG Pactual records the results of operations from BR Properties using the equity method of accounting.

Acquisition of Coomex Empresa Operadora do Mercado Energético Ltda.

On September 20, 2010, Banco BTG Pactual acquired all of the issued shares of Coomex Empresa Operadora do Mercado Energético Ltda., or Coomex, a leading independent energy trader in Brazil for a total purchase price of R$183.0 million, of which R$40.0 million will be paid in 2013. Following such acquisition, Coomex's energy trading operations were integrated into BTG Pactual's structure to form Banco BTG Pactual's energy trading desk. The acquisition of Coomex was an important step in consolidating Banco BTG Pactual's commodities trading activities and expanding its product mix. In the second half of 2011, BTG Pactual Agente – Comercializador de Energia Ltda. was merged into Coomex Empresa Operadora do Mercado Energético Ltda. Banco BTG Pactual has recorded net gains of R$46.1 million and R$20.9 million in the years ended December 31, 2011 and 2012, respectively, due to the acquisition of Coomex.

Establishment of BW Properties S.A.

In connection with the One Properties transaction, on November 22, 2011, Banco BTG Pactual entered into an investment agreement with WTorre Properties S.A. to establish BW Properties S.A., or "BW Properties," a real estate development company which holds long term real estate commercial development projects. Pursuant to the terms of the agreement, Banco BTG Pactual holds a 67.5% equity interest in BW Properties by providing capital of R$159.8 million, of which, R$109.7 million was paid up in cash and the remaining R$50.1 in assets. Such company was established to develop two commercial real estate assets located in the city of São Paulo, Brazil.

Corporate Restructuring of BTG Pactual

In September 2011, following the granting of the required regulatory approvals, BTG Pactual concluded a corporate restructuring pursuant to which our former subsidiaries responsible for conducting the business of BTG Pactual's international platforms in London, New York and Hong Kong were transferred from BTGI to Banco BTG Pactual. The purpose of this transaction was to transfer our remaining operating subsidiaries to Banco BTG Pactual, and was realized at book value in an aggregate amount of US$188.1 million. This corporate restructuring has materially affected the administrative and personnel expenses of Banco BTG Pactual and BTGI (and, accordingly, indirectly BTG Pactual Participations) on a stand-alone basis. After the completion of this corporate restructuring, BTGI has continued to function as the investment vehicle for part of the principal investment business of BTG Pactual. As a result of the restructuring, BTG Pactual Participations has no employees and consequently does not conduct any operating activities, directly or through any of our subsidiaries, and its assets continue to be managed by Banco BTG Pactual's asset management unit.

Acquisition of Bolsa y Renta

On June 14, 2012, Banco BTG Pactual entered into a definitive agreement to purchase 100% of the outstanding shares of Bolsa y Renta, one of Colombia's largest equity brokerage firms in terms of transaction volume, for approximately US$51.9 million, thus concluding negotiations initiated with Bolsa y Renta in 2011. On December 20, 2012, Banco BTG Pactual concluded the purchase of all of the outstanding shares of Bolsa y Renta for a total consideration of US$58.4 million (equivalent to R$120.5 million) in cash, and the former owners of Bolsa y Renta acquired equity interests of approximately 0.25% in Banco BTG Pactual and

BTG Pactual Participations for R$52.5 million and US$6.4 million, respectively**.** The value of the equity investment was negotiated and pre-determined in U.S. dollars at the end of 2011, prior to BTG Pactual’s initial public offering. We expect that Bolsa y Renta’s current executives will continue to manage operations in Colombia and, accordingly, we anticipate paying additional amounts in the form of retention bonuses and deferred compensation to certain of Bolsa y Renta’s executives from the second through the fourth anniversaries of the date on which Banco BTG Pactual entered into a definitive agreement with respect to the transaction.

As of December 31, 2012, Bolsa y Renta had consolidated shareholders’ equity and total assets of R$74.1 million and R$89.9 million, respectively, prepared in accordance with IFRS. For accounting purposes, Bolsa y Renta’s assets and liabilities have been consolidated by Banco BTG Pactual since December 31, 2012 and therefore it did not affect its income statement for the referred year. Banco BTG Pactual recorded goodwill in the amount of R$47.1 million in this transaction in accordance with IFRS. The purchase price allocation has not been concluded at the date of the issuance of this report. Management expects to allocate significant part of the consideration paid to goodwill. See "Business—Bolsa y Renta."

Acquisition of Bamerindus

On January 30, 2013, Banco BTG Pactual entered into definitive agreements related to its acquisition of certain credits and rights held by Fundo Garantidor de Créditos, or FGC, against Banco Bamerindus do Brasil S.A., or "Bamerindus," in extrajudicial liquidation, and other companies in Bamerindus’s economic group. In connection with the transaction, Banco BTG Pactual will pay approximately R$418.0 million to FGC in five installments, the first of which will be paid at the closing of the transaction and the other four on the first through fourth anniversary of the closing. The four installments will be adjusted by CDI. This transaction will result in Banco BTG Pactual acquiring (i) control of Bamerindus and its subsidiaries, (ii) an interest in Bamerindus greater than 98.0% of its total and voting capital, and (iii) the receivables and assets held by the Bamerindus, which will be used in the context of Banco BTG Pactual’s credit operations. The transaction remains subject to the satisfaction of several typical closing conditions, including the receipt of all required regulatory approvals, the completion of the extrajudicial liquidation of Bamerindus and its subsidiaries, and the settlement of certain of their financial obligations in order for Bamerindus to have positive shareholders’ equity. The transaction does not include the right to the Bamerindus brand. Banco BTG Pactual expects the transaction to close no later than the third quarter of 2013, although there can be no assurance that the transaction will be concluded. We do not expect that the transaction, if consummated, will materially affect Banco BTG Pactual’s financial condition or results of operations.

Summary of the Quantitative Information about Significant Acquisitions

Banco BTG Pactual and BTG Pactual Participations enter into transaction in the ordinary course of business. However, from time to time they also make significant acquisitions as well as acquire property, plant, equipment and intangibles for its own use. The amounts of such investments are described below:

Banco BTG Pactual

`9	Geographic location	As of December 31, 2010	2011	2012	In 2013(1)
			(in R$millions)		
Banco Pan-Americano	Brazil	-	450.0	546.2	-
BFRE	Brazil	-	-	270.0	-
Celfin	Chile	-	-	930.0	-
Coomex	Brazil	183.0	-	-	-
Bolsa Y Renta	Colombia	-	-	120.5	-
Property, plan and equipment in use(2)	Brazil	174.1	78.1	18.7	22.5
Intangibles(2)	Brazil	6.5	198.8	109.9	23.4

(1) Up to the date of this Prospectus.
(2) Substantially investments in Brazil.

For 2013, we expect that Banco BTG Pactual's main capital expenditures will amount to approximately R$86.1 million, mostly comprised of investments in premises (48.7%), technology infrastructure including data processing systems and communication systems (41.9%), and software (9.3%).

Except for the acquisition of Bamerindus described elsewhere in this Prospectus, Banco BTG Pactual does not have significant acquisition or principal investment in progress. Banco BTG Pactual intends to primarily finance this acquisition with retained earnings.

Other than the effects described in "Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual" for certain transactions, there has been no significant change in the financial or trading position of Banco BTG Pactual which has occurred in the years ended December 31, 2010, 2011 and 2012 and up to the date of this Prospectus.

BTG Pactual Participations

BTG Pactual Participations did not make any significant acquisitions in the years ended December 31, 2010, 2011 and 2012 and up to the date of this Prospectus, except for the investment in associates and joint ventures which are considered part of its ordinary course of business and are part of its merchant banking and private equity activities. Except for such investments in the ordinary course of business, BTG Pactual Participations does not have significant acquisition or principal investment in progress.

BTG Pactual Participations primarily financed the acquisition of investment in associates and joint ventures with retained earnings, proceeds from the initial public offering and funds provided by co-investors on its merchant banking and private equity activities.

There has been no significant change in the financial or trading position of BTG Pactual Participations which has occurred in the years ended December 31, 2010, 2011 and 2012 and up to the date of this Prospectus.

History of Share Capital

The changes in share capital during the years ended December 31, 2010, 2011 and 2012 were as follows:

Banco BTG Pactual

		Number of Shares			
Date	Description	Common Shares	Banco Series A preferred shares	Banco Series B preferred shares	Capital Increase (In R$ million)
December 2010	Split of shares	698,747,717	-	-	-
December 2010	Conversion	(901,394,404)	-	901,394,404	-

December 2010	Issuance of new shares	149,222,798	298,445,596	-	2,409.2
April 2012	Conversion	85,544,000	-	(85,544,000)	-
April 2012	Initial Public Offering	82,800,000	165,600,000	-	2,070.0
November 2012	Acquisition of Celfin	19,865,336	39,730,672	-	391.8
December 2012	Acquisition of Bolsa Y Renta	2,302,068	4,604,136	-	52.4

BTG Pactual Participations

		Number of Shares				
Date	**Description**	**BPP Class A share**	**BPP Class B share**	**BPP Class C share**	**BPP Class D share**	**Capital Increase (In US$ million)**
December 2010	-	-	-	1	149,222,798	0.0
April 2012	Withdrawal Agreement	24,300,000	48,600,000	-	(24,300,000)	42.6
April 2012	Initial Public Offering	82,800,000	165,600,000	-	-	269.4
October 2012	Withdrawal Agreement	14,864,743	29,729,486	-	(14,864,743)	31.0
November 2012	Acquisition of Celfin	-	-	-	19,865,336	-
November 2012	Withdrawal Agreement	9,948,185	19,896,370	-	(9,948,185)	21.1
December 2012	Acquisition of Bolsa Y Renta	2,302,068	4,604,136	-	-	6.5
March 2013	Withdrawal Agreement	16,361,858	32,723,716	-	(16,361,858)	36.7
April 2013	Withdrawal Agreement	31,354,231	62,708,462	-	(31,354,231)	71.5
May 2013	Withdrawal Agreement	16,580,311	33,160,622	-	(16,580,311)	37.4

Analysis of the Financial Statements of Banco BTG Pactual (IFRS), BTG Pactual Participations (IFRS), BTGI (IFRS) and the Group Combined (Cosif)

Banco BTG Pactual’s Consolidated Income Statement (IFRS – audited)

The following table sets forth Banco BTG Pactual’s income statement prepared in accordance with IFRS for the years ended December 31, 2010, 2011 and 2012 included in its consolidated financial statements:

	As of December 31,			
	2010	**2011**	**2012**	**2012**
	(in R$millions)			**(in US$ millions)**
Interest income	1,789.4	3,112.5	3,870.5	1,894.1
Interest expense	(1,987.3)	(3,966.0)	(4,446.2)	(2,175.8)
Net interest income	(198.0)	(853.4)	(575.7)	(281.7)
Net gains on financial instruments	1,277.1	1,906.0	4,081.1	1,997.1
Net exchange variations	68.8	249.3	116.2	56.9
Fees and commissions	798.8	1,087.1	2,108.8	1,032.0
Share of profit in associates and jointly controlled entities	-	85.5	282.7	138.3
Other operating income/(expenses)	151.7	61.2	(121.9)	(59.7)
Net revenues	2,098.4	2,535.6	5,891.2	2,882.9

Administrative expenses	(255.2)	(355.5)	(636.6)	(311.5)
Personnel expenses	(457.1)	(740.2)	(1,542.2)	(754.7)
Provisions for credit losses	(7.0)	(30.0)	(468.3)	(229.2)
Tax charges (other than income tax)	(183.9)	(290.5)	(283.3)	(138.6)
Income before taxes and profit sharing	1,195.1	1,119.4	2,960.9	1,448.9
Income tax and social contribution	(379.6)	220.2	(806.8)	(394.8)
Net income for the year	**815.6**	**1,339.6**	**2,154.1**	**1,054.1**
Net income attributable to:				
Controlling shareholders	815.6	1,334.6	2,133.0	1,043.8
Non-controlling interests	-	5.0	21.1	10.3
Other comprehensive income				
Exchange differences on translation of foreign operations	(13.6)	200.8	132.8	65.0
Total comprehensive income for the year	**801.9**	**1,540.4**	**2,286.9**	**1,119.1**
Total comprehensive income attributed to:				
Controlling shareholders	801.9	1,535.4	2,265.7	1,108.7
Non-controlling interests	-	5.0	21.1	10.3

Interest income

Banco BTG Pactual’s interest income includes, mainly, (i) interest on its loans, and (ii) interest income from transactions involving securities and open market investments portfolio.

	For the year ended December 31,		
	2010	**2011**	**2012**
	(in R$millions)		
Loans	299.9	943.1	1.233.4
Securities and open market investments	1,489.5	2.128.3	2.413.6
Compulsory investments	-	41.1	223.5
Interest income	**1,789.4**	**3.112.5**	**3.870.5**

2012 versus 2011

The interest income of Banco BTG Pactual increased 24.4%, from R$3,112.5 million in 2011 to R$3,870.5 million in 2012.

Loans. Banco BTG Pactual’s revenues from loans increased 30.8%, from R$943.1 million in 2011 to R$1,223.4 million in 2012. This increase was mainly due to (i) a 28.4% increase in its loan portfolio, from an average balance of R$5,183.9 million in 2011 to an average balance of R$6,654.0 million in 2012, and (ii) a 141.7% increase on its receivable portfolio, which includes mainly payroll-deductible loans and vehicle financing through Credit Right Funds (FDIC), from an average balance of R$1,146.8 million in 2011 to an average balance of R$2,771.8 million in 2012. These increases were partially offset by a decrease in CDI rates, from an average of 11.6% in 2011 to an average of 8.4% in 2012.

Securities and open market investments. Banco BTG Pactual’s revenues from securities and open market investments increased 13.4%, from R$2,128.3 million in 2011 to R$2,413.6 million in 2012. This increase was mainly due to a 10.1% increase in its open-market investments portfolio in Brazil, from an average balance of R$17,137.0 million in 2011 to an average balance of R$18,866.5 million in 2012.

Compulsory investments. Banco BTG Pactual’s revenues from compulsory investments increased 443.8%, from R$41.1 million in 2011 to R$223.5 million in 2012. While the average balance of its compulsory deposits (remunerated at a rate equivalent to the SELIC rate) remained relatively stable from July to December 2011 and during 2012, interest revenues were higher in 2012 when compared to the revenues recognized for a period of just six months in 2011. In the second half of 2011, Banco BTG Pactual’s balance of cash deposits exceeded for the first time the minimum amount that the Central Bank requires it to deposit. This increase in revenues was partially offset by a decrease in CDI rates from an average of 11.6% in 2011 to an average of 8.4% in 2012.

2011 versus 2010

The interest income of Banco BTG Pactual increased 73.9%, from R$1,789.4 million in 2010 to R$3,112.5 million in 2011.

Loans. Banco BTG Pactual's revenues from loans increased 214.5%, from R$299.9 million in 2010 to R$943.1 million in 2011. This increase was mainly due to (i) a 88.4% increase in its loan portfolio, from an average balance of R$2,675.7 million in 2010 to an average balance of R$5,041.7 million in 2011; (ii) a 12.0% depreciation of the *real* against the U.S. dollar in 2011, which generated higher *real* revenues from loans backed by export futures tied to the U.S. dollar (the average balance of loan operations for these operations, which are included in the total loan portfolio, increased from an average balance of R$570.9 million in 2010 to an average balance of R$1,178.1 million in 2011); and (iii) higher CDI rates, which increased from an average of 9.7% in 2010 to an average of 11.6% in 2011.

Securities and open market investments. Banco BTG Pactual's revenues from securities and open market investments increased 42.9%, from R$1,489.5 million in 2010 to R$2,128.3 million in 2011. This increase was mainly due to a 28.6% increase in its Brazilian open market investment portfolio, from an average balance of R$13,323.3 million in 2010 to an average balance of R$17,137.0 million in 2011.

Compulsory investments. Banco BTG Pactual had revenue of R$41.1 million from compulsory investments in 2011, as a result of a compulsory deposit placed with the Central Bank, compared to no revenue in 2010. Banco BTG Pactual's compulsory deposits are required by the Central Bank as a function of its balance of time deposits, which has been growing consistently in the past years. In the second half of 2011, Banco BTG Pactual's total balance of time deposits for the first time exceeded the threshold above which it is required to place compulsory deposits with the Central Bank. The average balance of Banco BTG Pactual's mandatory deposits from July 1, 2011 to December 31, 2011 was R$761.9 million, accumulating interest at a rate equivalent to the SELIC rate.

Interest expenses

Interest expenses of Banco BTG Pactual consists mainly: (i) interest expenses related to repurchase agreements in open-market transactions and deposits; (ii) interest and fees paid on borrowings in Brazil and abroad, including borrowings from governmental agencies, such as the BNDES, in which Banco BTG Pactual operates as an agent; and (iii) expenses from interest on securities issued by Banco BTG Pactual.

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Open market funding	(1,344.5)	(2,050.3)	(2,423.0)
Time/interbank deposits	(533.3)	(952.2)	(866.8)
Notes issued	(103.7)	(495.9)	(797.7)
Borrowings and loans	(5.9)	(467.5)	(358.7)
Interest income	**(1,987.4)**	**(3,965.9)**	**(4,446.2)**

2012 versus 2011

The interest expense of Banco BTG Pactual increased 12.1% from R$3,965.9 million in 2011 to R$4,446.2 million in 2012, mainly due to the following factors:

Open market funding. Banco BTG Pactual's expenses from open market funding increased 18.2%, from

R$2,050.3 million in 2011 to R$2,423.0 million in 2012. This increase was mainly due to 25.4% increase in its Brazilian open market funding portfolio, which as of December 31, 2012 amounted to R$52,649.0 million, partially offset by a decrease in CDI rates from an average of 11.6% in 2011 to an average of 8.4% in 2012.

Time/interbank deposits. Banco BTG Pactual's expenses from time/interbank deposits decreased 9.0%, from R$952.2 million in 2011 to R$866.8 million in 2012, due to the decrease in CDI rates from an average of 11.6% in 2011 to an average of 8.4% in 2012, partially offset by the 38.0% increase in the average balance of time/interbank deposits, from R$10,125.2 million in 2011 to R$13,973.9 million in 2012.

Notes issued. Banco BTG Pactual's expenses from notes issued increased 60.9%, from R$495.9 million in 2011 to R$797.7 million in 2012. This increase was mainly due to (i) the issuance of R$3,975.0 million of subordinated notes on April 2011, resulting in an aggregate interest expense of R$465.5 million in 2012 compared to R$200.4 million in 2011; (ii) an increase of R$24.8 million in these expenses in 2012 as a result of the issuance of subordinated debt in the amount of US$800 million on September 2012, maturing in 10 years and accruing interest of 5.75% p.a.; and (iii) an increase of R$23.8 million in these expenses in 2011, mainly due to the issuance of senior notes of US$500.0 million in July 2011 and US$235.0 million in September and October 2012, all maturing in five years.

Borrowings and loans. Banco BTG Pactual's expenses from borrowings and loans decreased from R$467.5 million in 2011 to R$358.7 million in 2012. This decrease was mainly due to losses from foreign exchange variations on borrowings denominated in foreign currencies of 8.6% in 2012 and 12.0% in 2012, which generated expenses of R$264.7 million in 2012 compared to R$422.6 million in 2011.

2011 versus 2010

The interest expenses of Banco BTG Pactual increased 99.6%, from R$1,987.4 million in 2010 to R$3,965.9 million in 2011, mainly due to the following factors:

Open market funding. Banco BTG Pactual's expenses from open market funding increased 52.5%, from R$1,344.5 million in 2010 to R$2,050.3 million in 2011 mainly due to a 52.1% increase in its Brazilian open market funding portfolio, from an average balance of R$34,672.9 million in 2010 to an average balance of R$52,730.0 million in 2011.

Time/interbank deposits. Banco BTG Pactual's expenses from time/interbank deposits increased 78.5%, from R$533.3 million in 2010 to R$952.2 million in 2011 mainly due to a 85.1% increase in its average balance of CDB and CDI portfolios, from an average balance of R$5,499.7 million in 2010 to an average balance of R$10,179.6 million in 2011.

Notes issued. Banco BTG Pactual's expenses from notes issued increased 378.2%, from R$103.7 million in 2010 to R$495.9 million in 2011. This increase was mainly due to (i) the issuance of R$3,975.0 million in subordinate notes in April 2011 and the issuance of US$500 million in senior notes in July 2011, which generated a total of R$200.4 million in interest expenses in 2011, and (ii) a 102.0% increase in its portfolio of real estate notes (Letras de Crédito Imobiliário) or LCIs, and agrobussiness notes (Letras de Crédito Agrário) or LCAs, portfolio, from an aggregate balance of R$1,299.5 million as of December 31, 2010 to an aggregate balance of R$2,625.0 million a of December 31, 2011.

Borrowings and loans. Banco BTG Pactual's expenses from borrowings and loans increased from R$5.9 million in 2010 to R$467.5 million in 2011, mainly due to foreign exchange fluctuation on borrowings denominated in U.S. dollars, in line with the 12.6% depreciation of the *real* during the year.

Net interest expense

As a result of the foregoing, net interest expense of Banco BTG Pactual (i) decreased from a R$853.4 million loss in 2011 to a R$575.7 million loss in 2012, and (ii) increased from a R$198.0 million loss in 2010 to an

R$853.4 million loss in 2011.

Net result from financial instruments

Banco BTG Pactual's net result from financial instruments comprises mainly: (i) realized gains or losses from operations involving marketable securities; and (ii) realized or unrealized gains or losses from trading of financial instruments for the purpose of mitigating risks, including swaps, forwards, futures, options and other derivatives, in accordance with its customers' needs.

2012 versus 2011

Net result from financial instruments of Banco BTG Pactual's increased 114.1%, from R$1,906.0 million in 2011 to R$4,081.0 million in 2012. This increase was mainly due to: (i) higher revenues from securities trading in international markets; (ii) higher revenues from securities with credit exposure, such as promissory notes and certificates of real estate receivables, the average balances of which increased from R$3,254.4 million in 2011 to R$8,527.7 million in 2012; and (iii) higher revenues from equities trading, given the performance of the IBOVESPA Index (especially in the first quarter of 2012), which increased 7.3% in 2012, compared to a decline of 18.1% in 2011.

2011 versus 2010

Banco BTG Pactual's net result from financial instruments increased 49.2%, from R$1,277.1 million in 2010 to R$1,906.0 million in 2011, mainly due to a 96.5% increase of the Brazilian government bonds portfolio, from an average balance of R$5,171.1 million in 2010 to an average balance of R$10,162.3 million in 2011. The increase in revenues from these securities was partially offset by lower trading revenues from securities trading in international markets.

Net foreign exchange variations

Banco BTG Pactual's net foreign exchange variations consists of gains from fluctuations of exchange rates related to Banco BTG Pactual's positions in other currencies and to the commissions obtained from transactions involving the purchase and sale of other currencies.

2012 versus 2011

Gains from net exchange variations of Banco BTG Pactual decreased 53.4%, from R$249.3 million in 2011 to R$116.2 million in 2012, mainly due to a higher foreign exchange rate volatility in the markets where Banco BTG Pactual operated in 2011 compared to 2012.

2011 versus 2010

Gains from net exchange variations of Banco BTG Pactual increased 262.9%, from R$68.7 million in 2010 to R$249.3 million in 2011, mainly due to a higher foreign exchange rate volatility in the markets in which Banco BTG Pactual operated in 2011 compared to 2010.

Fees and commissions

The table below sets forth the breakdown of fees and commissions by Banco BTG Pactual:

	For the year ended December 31,		
	2010	2011	2012
		(in R$millions)	
Management fee and performance premium of funds and investment portfolios	343.4	511.4	1,237.8
Stock exchange brokerage	107.7	107.7	168.0
Technical advisory	330.0	415.8	565.4
Other services	17.7	52.2	137.7
Interest income	**798.8**	**1,087.1**	**2,108.9**

2012 versus 2011

Management fee and performance premium of funds and investment portfolios. Banco BTG Pactual revenues from management fee and performance premium of funds and investment portfolios increased 142.0%, from R$511.4 million in 2011 to R$1,237.8 million in 2012. This increase was mainly due to (i) an increase in management fees of funds resulting from the 42.1% increase in our AUM and WUM, from R$120.1 billion in 2011 to R$170.7 billion in 2012 (including R$10.6 billion in AUM and AUA originating from the acquisition of Brazilian Capital in August 2012 and R$8.5 billion due to the acquisition of Celfin in November 2012); and (ii) an increase in revenues from performance premium from funds, particularly due to the better performance of our global hedge funds as a result of the improvement in market conditions in 2012. "BTG Pactual's Unaudited Adjusted Income Statement—2012 versus 2011—Asset Management" and "BTG Pactual's Unaudited Adjusted Income Statement—2012 versus 2011—Wealth Management."

Stock exchange brokerage. Banco BTG Pactual commissions from stock exchange brokerage increased 56.0%, from R$107.7 million in 2011 to R$168.0 million in 2012. This increase resulted mainly from the transfer of brokerage operations in the United States and Europe from BTGI to Banco BTG Pactual in September 2011.

Technical advisory. Banco BTG Pactual revenues from technical advisory increased 36.0%, from R$415.8 million in 2011 to R$565.4 million in 2012. This increase was mainly due to (i) an increase in revenues from M&A advisory services fees in 2012 due to the increase in the aggregate value of M&A transactions in which we acted as financial advisor, from R$45.0 billion in 2011 to R$51.7 billion in 2012, and payment of M&A fees relating to material transactions in 2012 which had already been announced in 2011 (as such fees as generally payable at closing); (ii) the increase in the aggregate value of debt offerings in which Banco BTG Pactual acted as underwriter, from R$7.2 billion in 2011 to R$11.2 billion in 2012, as a result of the increase in the Brazilian market activity, as well as the increase in the average percentage of fees received; and (iii) the increase in revenues from equity offerings, mainly due to the increase in the volume and value of the transactions in which we acted as underwriters, from R$3.3 billion in 2011 to R$3.6 billion in 2012.

Other services. Banco BTG Pactual revenue from other services increased 163.8%, from R$52.2 million in 2011 to R$137.7 million in 2012. This increase was mainly due to an increase of commissions related to credit transactions and credit facilities, including letters of credit, mainly as a result of our strategy to grow our credit portfolio.

2011 versus 2010

Management fee and performance premium of funds and investment portfolios. Banco BTG Pactual revenues from management fee and performance premium of funds and investment portfolios increased by 48.9%, from R$343.4 million in 2010 to R$511.4 million in 2011. This increase was mainly due to an increase in gross management and performance fees received from the funds, particularly from specialized funds (private equity and real estate funds), as well as from the Brazilian fixed income and equity funds, which benefited from an increase in our AUM and WUM as well as from improved returns in 2011. For additional information, see "BTG Pactual's Unaudited Adjusted Income Statement—2011 versus 2010—Asset Management" and "BTG Pactual's Unaudited Adjusted Income Statement—2011 versus 2010—Wealth Management."

Stock exchange brokerage. Banco BTG Pactual commissions from stock exchange brokerage remained stable, totaling R$107.7 million in 2010 and 2011. Although the Ibovespa index decreased 18.1% in 2011, there was an overall increase in the volume of financial transactions in which Banco BTG Pactual acted as broker, as well as in the opening of new accounts in 2011 following the creation of Banco BTG Pactual's broker dealer in New York. However, such increase was partially offset by the higher increase in cost of operations in the United States and Europe broker dealer transactions booked at BTGI. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Corporate Restructuring."

Technical advisory. Banco BTG Pactual revenues from technical advisory increased 26.0%, from R$330.0 million in 2010 to R$415.8 million in 2011. This increase in revenues was mainly due to (i) an increase in revenues from M&A advisory services in connection with material transactions announced in 2010 and that closed in the first quarter of 2011 (as such fees as generally payable at closing); (ii) transactions that recorded higher than average fees due to a positive fee environment; and (iii) an increase in revenues in the aggregate value of debt offerings in which Banco BTG Pactual acted as underwriters from R$6.1 billion in 2010 to R$10.5 billion in 2011. This revenue increase was partially offset by a decrease in the aggregate value of equity offerings in which Banco BTG Pactual acted as underwriter as a result of adverse market conditions, from R$143.1 billion in 2010 to R$11.4 billion in 2011. The deal volume in 2010 was significantly impacted by Petrobras’s equity offering in 2010, which represented a significant part of equity issuance in 2010 and paid lower than average fees.

Other services. Banco BTG Pactual revenues from other services amounted to R$52.2 million in 2011, compared to R$17.7 million in 2010. This increase was mainly due to an increase on commissions related to credit transactions and credit facilities, including letters of credit, in 2011 mainly as a result of our strategy to grow our credit portfolio.

Share of profit of associates and jointly controlled entities

2012 versus 2011

Banco BTG Pactual share of profit of associates and jointly controlled entities increased from R$85.5 million in 2011 to R$282.7 million in 2012. In 2012, this revenue was mainly due to its proportional share of profits from (i) BR Properties, in the amount of R$383.0 million, net of provision for non-permanent impairment in the amount of R$402.0 million; (ii) Warehouse 1 Empreendimentos Imobiliários S.A., in the amount of R$7.0 million, net of the R$14.1 million expenses from goodwill amortization; and (iii) One Properties, in the amount of R$15.4 million. This equity income was partially offset by our proportional share of R$119.7 million net losses in 2012 resulting from our investment in Banco PanAmericano. In 2011, equity income from subsidiaries was mainly due to our proportional share of (i) net income of R$61.8 million from Banco PanAmericano; and (ii) net income of R$22.6 million from One Properties.

2011 versus 2010

Banco BTG Pactual share of profit of associates and jointly controlled entities in 2011 consisted of its proportional share of the revenues (expenses) of (i) Banco PanAmericano, which was acquired following the Central Bank’s approval on May 27, 2011, totaling R$61.8 million in 2011; and (ii) net income of R$22.6 million from One Properties. Banco BTG Pactual did not receive any share of profit of associates and jointly controlled entities in 2010.

Other operating income (expenses)

2012 versus 2011

Banco BTG Pactual other operating income (expenses) varied, from a revenue of R$61.2 million in 2011 to an expense of R$122.0 million in 2012. In 2011, other operating income consisted mainly of R$70.7 million in monetary restatement of legal deposits. In 2012, operating expenses consisted mainly of R$46.9 million in provision for goodwill impairment and R$54.1 million in restatement of amounts payable in connection with the acquisition of Banco PanAmericano and Coomex.

2011 versus 2010

Banco BTG Pactual other operating income (expenses) decreased 59.7%, from an income of R$151.7 million in 2010 to an income of R$61.2 million in 2011. In 2010, other operating income was mainly composed of (i) the reversal of provisions for contingencies of R$99.0 million relating to a derivative receivable; (ii) the reversal of provisions of R$31.7 million as a result of a favorable outcome in a judicial proceeding relating to a specific derivative instrument transaction; and (iii) R$25.7 million relating to the monetary restatement of legal deposits. In 2011, other operating income consisted mainly of R$70.7 million due to a monetary restatement of legal deposits.

Net revenues

As a result of the foregoing, the net revenues of Banco BTG Pactual (i) increased from a R$2,535.6 million in 2011 to a R$5,891.2 million in 2012, and (ii) increase from a R$2,098.4 million in 2010 to an R$2,535.6 million in 2011.

Administrative expenses

Banco BTG Pactual's administrative expenses comprise mainly costs associated with occupancy and rental, communications, information services, professional fees, depreciation and other general operating expenses.

2012 versus 2011

Banco BTG Pactual's administrative expenses increased 79.1%, from R$355.5 million in 2011 to R$636.6 million in 2012. This increase was mainly due to: (i) payment of higher professional fees in connection with the issuances of bonds in 2012, (ii) expenses related to the new São Paulo office, especially related to its renovation; (iii) higher expenses from information technology consulting fees related to the development of software for our operational platform; and (iv) travel and hotel expenses due to increased international activities in London, New York and Hong Kong. These activities were transferred from BTGI to Banco BTG Pactual in September 2011 as part of our corporate restructuring.

2011 versus 2010

Banco BTG Pactual's administrative expenses increased 39.3%, from R$255.2 million in 2010 to R$355.5 million in 2011. This increase was mainly due to expenses of R$21.2 million, incurred in 2011, of legal expenses in connection with initiatives to implement changes in our corporate governance and organizational structure in anticipation of the private placement to the consortium and Participating Partners. Additionally, there was an increase in 2010 compared to 2011 of: (i) information technology consulting fees in connection of software developments for our operational platform in the amount of R$11.2 million; (ii) R$12.6 million in expenses from travel, presentations and conferences; and (iii) R$13.1 million in information technology expenses other than consulting fees related to software developments.

Personnel expenses

Banco BTG Pactual's personnel expenses consists of salaries and benefits, such as health insurance, bonuses and other payments made to its personnel, including retention expenses.

2012 versus 2011

Banco BTG Pactual's personnel expenses increased 108.3%, from R$740.2 million in 2011 to R$1,542.2 million in 2012, mainly due to: (i) an average annual salary increases of 9.0% and 7.5% in October 2011 and September 2012, respectively, to keep pace with inflation; (ii) an increase in expenses from salaries and benefits paid to our statutory executive officers; (iii) an increase of 133.8% in profit-sharing plan, from R$401.2 million in 2011 to R$938.2 million in 2012, resulting from our revenue increase in the period, net of costs and expenses; and (iv) an increase in the number of employees, from 1,311 as of December 31, 2011 to

2,195 as of December 31, 2012, associated with both Banco BTG Pactual's organic increase and the addition of 599 employees as a result of the acquisition of Celfin in November 2012.

2011 versus 2010

Banco BTG Pactual's personnel expenses increased 61.9%, from R$457.1 million in 2010 to R$740.2 million in 2011, mainly due to: (i) an average annual salary adjustment of 9.0% in 2011; (ii) an increase in the number of employees, from 1,055 as of December 31, 2010 to 1,255 as of December 31, 2011; and (iii) a 76.0% increase in profit-sharing plan, from R$251.1 million in 2010 to R$440.4 million in 2011, resulting from an increase in our income before taxes and profit sharing.

Provisions for credit losses

Banco BTG Pactual's provisions for credit losses consist of allowance for loan losses made in accordance with IFRS and as determined by the requirements of CMN Resolution 2682/99.

2012 versus 2011

Banco BTG Pactual's provisions for credit losses increased from R$30.0 million in 2011 to R$468.3 million in 2012, mainly as a result of an increase in provisions for credit losses with respect to its credit and receivables portfolios. As of December 31, 2012, provisions for credit losses amounted to R$191.5 million, or 1.1% of the total loan portfolio, which included R$17,496.9 million in off balance credit transactions, compared to provisions of R$96.4 million as of December 31, 2011, or 0.9% of the total loan portfolio, which included R$11,252.6 million in receivables and operations recorded in off balance accounts. In addition, the provision for receivable losses, consisting mainly of payroll-deductible loans and vehicle financing through Credit Right Funds (FIDC) amounted R$1,017.2 million as of December 31, 2012, or 40.1% of the total receivable portfolio of R$2,537.0 million, compared to provisions of R$670.4 million, or 21.7% of the total receivable portfolio of R$3,090.3 million in 2011.

2011 versus 2010

Banco BTG Pactual's provisions for credit losses increased from R$7.0 million in 2010 to R$30.0 million in 2011. As of December 31, 2011, provisions for losses amounted to R$82.6 million, or 1.5% of the total credit portfolio of R$5,471.7 million, compared to provisions of R$81.2 million, or 1.7% of its total credit portfolio of R$3,557.9 million as of December 31, 2010. In addition, in 2011 Banco BTG Pactual had a credit write-off of R$14.3 million (which did not result in additional expenses, but reduced the amount of provisions in Banco BTG Pactual's balance sheet) coupled with provisions for losses relating to certain off balances credit commitments of R$10.5 million in 2011.

Tax charges

Tax charges of Banco BTG Pactual include several revenue taxes, such as PIS, COFINS and ISS.

2012 versus 2011

Banco BTG Pactual tax charges other than income taxes remained relatively stable, at R$290.5 million in 2011 and R$283.2 million in 2012. Despite the increase in revenues resulting from an overall business increase, part of this increase originated from revenues generated by our Cayman Islands Branch and from higher equity income from subsidiaries, which are generally not taxable. Most of our tax expenses originate from revenues generated in Brazil.

2011 versus 2010

Banco BTG Pactual tax charges other than income taxes increased 58.0%, from R$183.9 million in 2010 to R$290.5 million in 2011. Most of Banco BTG Pactual's tax charges are applicable to revenues generated in Brazil. The increase in tax charges was mainly due to a 32.0% increase in revenues subject to tax obligations, resulting from overall business growth, and, to a lesser extent, from a decrease of revenues generated by our Cayman Islands Branch (which are not taxable in Brazil) as a percentage of total revenues.

Income before taxes and profit sharing

As a result of the above, income before taxes and profit sharing of Banco BTG Pactual (i) increased 164.5%, from R$1,119.4 million in 2011 to R$2,960.9 million in 2012 and (ii) decreased 6.3%, from R$1,195.1 million in 2010 to R$1,119.4 million in 2011.

Income tax and social contribution

Banco BTG Pactual’s income tax and social contribution is recorded under current or deferred liabilities. Banco BTG Pactual taxes are determined based on the rates applicable to each individual entity controlled by it, applied over the balance of taxable profits for the period. The combined tax rate of Banco BTG Pactual is 40%, including 25% income tax and a 15% social contribution charge. See "—Critical Accounting Policies—Deferred Income Tax and Social Contribution."

2012 versus 2011

Banco BTG Pactual’s income tax and social contribution varied from an income of R$220.2 million in revenue in 2011 to an expense of R$806.8 million in 2012. This variation was mainly due to the recognition of tax credits of R$481.4 million in December 2011 resulting from its merger with the investment vehicle used by the members of the Consortium to acquire 18.65% of its equity interest in December 2010. This was partially offset by: (i) a 38.0% increase in interest in equity (which replaces the payment of dividends and is tax-deductible), from R$319.0 million in 2011 to R$440.0 million in 2012; and (ii) an increase in equity income from subsidiaries, which is not taxable.

2011 versus 2010

Banco BTG Pactual’s income tax and social contribution expenses varied from a R$397.5 million expense in 2010 to revenue of R$220.2 million in 2011. This variation was mainly due to the recognition of tax credits of R$481.4 million in December 2011 resulting from its merger with the investment vehicle used by the members of the Consortium to acquire 18.65% of its equity interest in December 2010. Such entity had previously recorded goodwill of R$1,203.4 million in connection with such acquisition.

Non-controlling interest

2012 versus 2011

Non-controlling interest recorded by Banco BTG Pactual was R$21.1 million in 2012, mainly due to the results attributed to Recovery do Brasil Consultoria S.A., BW Properties S.A. and investment funds consolidated in the financial statements, and R$5.0 million in 2011, attributed to BW Properties S.A. and Recovery do Brasil Consultoria S.A.

2011 versus 2010

Non-controlling interest recorded by Banco BTG Pactual was R$5.0 million in 2011, attributed to BW Properties S.A. and Recovery do Brasil Consultoria S.A. In 2010, there was no non-controlling interest recorded by Banco BTG Pactual.

Net Income

As a result of the above, Banco BTG Pactual net income (i) increased 60.8%, from R$1,339.6 million in 2011 to R$2,154.1 million in 2012 and (ii) increased 64.2%, from R$815.6 million in 2010 to R$1,339.6 million in 2011.

Other comprehensive income

Other comprehensive income is composed of foreign exchange variation of investments abroad. The financial results of Banco BTG Pactual's subsidiaries abroad are translated into *reais* in the consolidated financial statements, and the foreign exchange variations resulting from this translation are directly recorded in shareholders' equity.

2012 versus 2011

Banco BTG Pactual's other comprehensive income corresponded to gain of R$200.8 million in 2011 and a gain of R$132.8 million in 2012. This decline was due to the 12.0% depreciation of the *real* against the U.S. dollar in 2011, compared to an 8.6% depreciation of the *real* against the U.S. dollar in 2012.

2010 versus 2011

Banco BTG Pactual's other comprehensive income totaled a loss of R$13.6 million in 2010 and a R$200.8 million gain in 2011, due to (i) the 3.5% appreciation of the *real* against the U.S. dollar in 2010 and the 12.6% depreciation of the *real* against the U.S. dollar in 2011, and (ii) the US$250 million capital increase in our Cayman Islands Branch on April 5, 2011, which was denominated in U.S. dollars.

Banco BTG Pactual's Consolidated Balance Sheet (IFRS – audited)

The following table sets forth Banco BTG Pactual's balance sheet prepared in accordance with IFRS for the years ended December 31, 2010, 2011 and 2012 included in its consolidated financial statements:

	As of December 31,			
	2010	**2011**	**2012**	**2012**
	(in R$millions)			**(in US$ millions)**
Assets				
Cash and balances at Central Bank	1,622.5	1,391.4	1,024.4	501.3
Financial assets at fair value through profit or loss				
Financial assets held for trading	34,582.8	36,291.8	62,592.7	30,630.1
Financial assets designated at fair value through profit and loss	23,269.8	7,728.6	6,324.1	3,094.7
Derivative financial instruments	3,329.7	3,271.9	9,993.9	4,890.6
Loans and receivables				
Open market investments	1,854.0	10,895.8	15,726.9	7,696.1
Amounts receivable from banks	86.7	958.6	1,917.8	938.5
Other loans and receivables	4,238.3	8,278.5	10,324.5	5,052.4
Held-to-maturity financial assets	-	3,788.5	4,100.4	2,006.6
Deferred tax assets	923.7	1,387.9	1,550.1	758.6
Other assets	2,746.5	6,900.9	6,998.7	3,424.9
Investment in associates and jointly controlled entities	-	733.3	2,561.1	1,253.3
Property, plant and equipment	197.9	58.4	95.7	46.8
Intangible assets	198.7	706.3	1,215.2	594.7
Total assets	**73,050.6**	**82,392.1**	**124,425.7**	**60,888.5**
Liabilities and shareholders' equity				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	19,053.0	13,215.4	11,637.5	5,694.9
Derivative financial instruments	3,382.6	3,178.2	10,149.3	4,966.6
Financial liabilities carried at amortized cost				
Open market funding	30,800.2	29,949.2	49,064.9	24,010.2
Amounts payable to banks	338.9	576.4	627.1	306.9
Other financial liabilities carried at amortized cost	11,891.9	22,850.8	30,993.3	15,166.8

Tax liabilities	570.0	759.9	1,535.2	751.3
Other liabilities	1,476.2	5,316.8	9,975.7	4,881.7
Total shareholders' equity and non-controlling shareholders	5,537.7	6,545.5	10,442.8	5,110.3
Total liabilities	**73,050.6**	**82,392.1**	**124,425.7**	**60,888.5**

Our total assets increased from R$73.0 billion in 2010 and R$82.4 billion in 2011 to R$124.4 billion in 2012, mainly due to an increase in our financial assets held for trading and short-term open market investments, which are largely composed of Brazilian treasuries, U.S. Government Bonds and U.S. Agencies, partially offset by a decrease in our financial assets designated at fair value through profit and loss, mainly comprised of medium-term open market investments. This increase mostly reflects larger inventories of assets financed through secured funding, including open market funding. In addition, there was a structural growth of our assets with the increase of our credit portfolio, included in our other loans and receivables and investment in associates and jointly controlled entities, which reflects the deployment of the proceeds from the private placement in 2010 and from the IPO in 2012. Our leverage ratio was 13.1x in 2010, 12.6x in 2011 and 11.9x in 2012.

Our total liabilities increased from R$67.5 billion in 2010 and R$75.8 billion in 2011 to R$114.0 billion in 2012. Our secured funding liabilities, comprised of open market funding and financial liabilities held for trading, increased mainly due to the increase in open market funding related to our inventory of financial assets, partially offset by a decrease in our securities short position. The unsecured funding (financial liabilities carried at amortized cost), comprised of deposits, funds from securities and accepted, loans and onlendings and subordinated liabilities, also presented an increase, mainly as a result of our strategy to grow and diversify our funding base, and reflects, among other factors, several issuances of senior and subordinated bonds.

Our shareholders' equity increased from R$5.5 billion in 2010 to R$6.5 billion in 2011 and R$10.4 billion in 2012, basically due to the capital increase of R$2.1 billion from the IPO in 2012, in addition to our return on equity of 25.4% in 2011 and 26.7% in 2012. This increase was partially offset by dividends and interest on capital of R$1.0 billion in 2011 and R$814.0 million in 2012.

BTG Pactual Participations and BTGI

BTGI is not an issuer of the Units, although holders of Units own an indirect equity interest in BTGI through their ownership of equity interests in BTG Pactual Participations. BTG Pactual Participations, one of the issuers of the Units, is the general partner of BTGI and is the vehicle for Unit holders to indirectly hold interests in BTGI, and, through its subsidiary BTG Bermuda Holdco, owns 21.9% of BTGI's limited partnership interests as of September 20, 2013. BTG Pactual Participations: (A) is the general partner of BTGI, (B) does not engage in any other business activity, (C) owns all of the capital stock of BTG Bermuda Holdco and (D) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in the initial public offering of BTG Pactual in April 2012, subsequent purchasers of Units and members of the Consortium. As a result of the foregoing, the Consolidated Income Statement (IFRS – audited) and Consolidated Balance Sheet (IFRS – audited) of BTGI set forth below represent financial condition and results of operations that are identical to those of BTG Pactual Participations. Except for the amounts recorded as net income attributable to controlling shareholders and net income attributable to non-controlling interests, most of the line items included in the Consolidated Income Statement (IFRS – audited) of BTG Pactual Participations are virtually the same as the respective line items in the Consolidated Income Statement (IFRS – audited) of BTGI. As a result of the foregoing, all risks of business and operations faced by BTGI are faced equally by BTG Pactual Participations.

BTG Pactual Participations' Consolidated Income Statement (IFRS – audited)

The following table sets forth BTG Pactual Participations' income statement prepared in accordance with IFRS for the years ended December 31, 2011 and 2012 included in its consolidated financial statements:

	For the year ended December 31,		
	2010	2011	2012
		(in R$millions)	
Interest income	-	5.4	48.0
Interest expense	-	(23.4)	(88.9)
Interest income/expenses (net)	-	(18.0)	(40.9)
Gains (losses) on financial instruments held for trading	-	273.8	637.9
Gains (losses) on financial assets available for sale	-	-	546.9
Share of profit of associates and joint ventures	-	-	(5.5)
Fees and commission	-	99.9	-
Other operating income, net	-	24.3	43.5
Total income	-	379.9	1,181.9
Administrative expenses	-	(122.1)	(207.6)
Personnel expenses	-	(74.9)	-
Other expenses	-	(10.9)	(63.4)
Total expenses	-	(207.9)	(271.0)
Net income for the year	-	171.9	910.9
Other comprehensive income (expenses)	-		
Financial assets available for sale	-	-	(14.2)
Currency translation adjustments	-	291.6	322.9
Total comprehensive income for the year	-	463.5	1,219.7

Interest income

BTG Pactual Participations' interest income consists primarily of (i) interest BTG Pactual Participations charges with respect to open market transactions, and (ii) interest charges and foreign exchange results (in 2011) with respect to loans and receivables (consisting mainly of related party loans).

The table below shows the composition of BTG Pactual Participations' interest income for the years indicated:

	For the year ended December 31,		
	2010	2011	2012
		(in R$millions)	
Interest on open market transactions	-	7.6	11.9
Loans and receivables	-	(2.2)	36.1
Interest income	**-**	**5.4**	**48.0**

2012 versus 2011

BTG Pactual Participations' interest income increased from R$5.4 million in 2011 to R$48.0 million in 2012. This increase was mainly due to higher income from BTG Pactual Participations' credit operations as a result of an increase in BTG Pactual Participations' loan portfolio, from an average balance of R$368.2 million in 2011 to R$543.9 million in 2012. In addition, in 2011, BTG Pactual Participations recorded a R$18.6 million loss on the balance of related party loans denominated in *reais*, as a result of the 3.5% depreciation of the *real* against the U.S. dollar in 2011. In 2012, BTG Pactual Participations recorded a R$50.7 million foreign exchange loss with respect to such 1oans, which was recorded as interest expense.

Interest expense

BTG Pactual Participations' interest expenses consist primarily of (i) funding expenses consisting mainly of interest expenses in connection with repurchase agreements in open market funding transactions, (ii) interest BTG Pactual Participations pays on loans and financing and (iii) foreign exchange losses in connection with BTG Pactual Participations' loans and receivables (consisting mainly of related party loans).

The table below shows the composition of BTG Pactual Participations' interest expenses for the periods indicated:

	For the year ended December 31,		
	2010	2011	2012
		(in R$millions)	
Funding expenses	-	(16.7)	(31.5)
Interest on loans and financing	-	(6.7)	(6.7)
Foreign exchange	-	-	(50.7)
Interest expenses	**-**	**(23.4)**	**(88.9)**

2012 versus 2011

BTG Pactual Participations' interest expenses increased 279.9%, from R$23.4 million in 2011 to R$88.9 million in 2012, mainly due to (i) a R$14.8 million increase in interest expenses from repurchase agreements on open market transactions due to an increase in the average balance of such transactions in 2012 as compared to 2011, mainly aimed to finance U.S. Treasury and U.S. Agencies notes and (ii) an expense of R$50.7 million related to foreign exchange in 2012 associated with BTG Pactual Participations' related party loans denominated in *reais* as a result of the 8.6% depreciation of the *real* against the U.S. dollar in 2012.

Interest income/expenses (net)

As a result of the foregoing, BTG Pactual Participations' interest income/expenses (net) varied from losses of R$18.0 million in 2011 to R$40.9 million in 2012.

Gains (losses) on financial instruments held for trading

BTG Pactual Participations' gains (losses) on financial instruments held for trading consists of results from BTG Pactual Participations' global markets activities, composed primarily of gains from the investments managed by Banco BTG Pactual's New York and Brazil asset management teams.

2012 versus 2011

BTG Pactual Participations' gains (losses) on financial instruments held for trading increased 133.0%, from R$273.8 million in 2011 to R$637.9 million in 2012, mainly due to (i) higher gains from fixed income products in Brazil, which benefited from the easing cycle of Brazilian interest rates, (ii) improved performance of ARF, which had negatively affected BTG Pactual Participations in 2011 due to BTG Pactual Participations' exposure, and (iii) gains from BTG Pactual Participations' investment in equities in 2012, primarily driven by the increase of the BM&FBOVESPA index compared to 2011. This gain was partially offset by (i) mark-to-market losses on the credit default swaps, or CDS, used as a guarantee to certain financial obligations of Petra Energia S.A. (a company belonging to the STR Group) under loans granted to it by Banco BTG Pactual (see "Related Party Transactions—BTGI Guarantee to Banco BTG Pactual Loans") and (ii) lower gains associated with BTG Pactual Participations' mortgage related-products.

Gains (losses) on financial assets available for sale

BTG Pactual Participations' gains (losses) on financial assets available for sale consists of results from the sale or transfer of securities originally purchased with the intent of selling prior to a lengthy time period, which includes the sale of BTG Pactual Participations' interests in the portfolio companies of BTG Pactual.

2012 versus 2011

BTG Pactual Participations' gains (losses) on financial assets available for sale was R$546.9 million in 2012 compared to no gain (loss) in 2011. In 2012, BTG Pactual Participations' gains were derived from the sale of certain of BTG Pactual Participations' equity interests in STR Projetos e Participações em Recursos Naturais. Such interests were sold on July 4, 2012 for R$699.0 million in a transaction executed on the BM&FBOVESPA.

Share of profit of associates and joint ventures

BTG Pactual Participations' share of profit of associates and joint ventures consists of results from BTG Pactual Participations' recent direct investments in portfolio companies in which BTG Pactual Participations does not have control.

2012 versus 2011

BTG Pactual Participations' share of profit of associates and joint ventures presented a loss of R$5.5 million in 2012 as a result of BTG Pactual Participations' direct investments in B&A Mineração, Túnel de Barcelona i Cadí and ATLL Concessionaria de La Generalitat de Catalunya S.A. BTG Pactual Participations recorded no share of profit of associates and joint ventures in 2011.

Fees and commission income

BTG Pactual Participations' fees and commission income consists primarily of asset management fees, brokerage fees and underwriting fees which BTG Pactual Participations earned prior to the corporate restructuring of BTG Pactual in September 2011.

2012 versus 2011

In 2012, BTG Pactual Participations recorded no fees or commission income, since BTG Pactual Participations transferred all of its operating subsidiaries that conducted asset management activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. BTG Pactual Participations' fees and commission income was R$99.9 million in 2011, consisting of asset management and performance fees, brokerage fees and underwriting fees earned through BTG Pactual Participations' asset management operations in the first three quarters of 2011 conducted through BTG Pactual Participations' former operating subsidiaries.

Other operating income (net)

BTG Pactual Participations' other operating income, net consists primarily of BTG Pactual Participations' operating income not otherwise classified as part of the other income line items described above, and includes the recognition of equity kicker fees accrued on BTG Pactual Participations' investments transferred to the Merchant Banking Partnership. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divesture of BTG Alpha."

2012 versus 2011

BTG Pactual Participations' other operating income, net increased 79.0%, from R$24.3 million in 2011 to R$43.5 million in 2012, mainly due to an increase in revenue from insurance premiums as a result of the expansion of BTG Pactual Participations' insurance business, which commenced in 2011, through BTG

Pactual Participations' subsidiary Preserve Insurance Co. This gain was partially offset by the recognition in 2011 of equity kicker fees accrued on certain investments transferred to the Merchant Banking Partnership, with no corresponding gain in 2012. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divestiture of BTG Alpha."

Total income

As a result of the foregoing, BTG Pactual Participations' total income increased 211.1%, from R$379.9 million in 2011 to R$1,181.9 million in 2012.

Administrative expenses

BTG Pactual Participations' administrative expenses include the following costs and expenses:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Professional fees	-	89.0	207.2
Expenses related to financial market	-	7.1	-
Other administrative expenses	-	26.0	0.4
Total	**-**	**122.1**	**207.6**

2012 versus 2011

BTG Pactual Participations' administrative expenses increased 70.0%, from R$122.1 million in 2011 to R$207.6 million in 2012, mainly due to an increase in performance fees paid by BTG Pactual Participations in connection with ARF to Banco BTG Pactual's asset management teams in Brazil and New York, as a result of both (i) the better performance of ARF during the period and (ii) the transfer of BTG Pactual Participations' New York asset management platform to Banco BTG Pactual in September 2011 as part of the corporate restructuring of BTG Pactual, whereas prior to this corporate restructuring, a portion of the performance fees payable in connection with ARF were eliminated in the consolidation process. This increase was partially offset by a decrease in administrative expenses in 2012 as a result of BTG Pactual Participations no longer having any operating subsidiaries following the corporate restructuring of BTG Pactual.

Personnel expenses

BTG Pactual Participations' personnel expenses consisted of salaries, benefits, bonuses, social security charges and other payments made to BTG Pactual Participations' personnel, including retention expenses. BTG Pactual Participations ceased to incur such expenses beginning in September 2011, when its operating subsidiaries responsible for conducting BTG Pactual Participations' international activities in London, New York, and Hong Kong were transferred to Banco BTG Pactual.

2012 versus 2011

BTG Pactual Participations recorded no personnel expenses in 2012 as a result of not having any employees following the transfer of BTG Pactual Participations' operating subsidiaries responsible for conducting BTG Pactual Participations' international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011.

Other expenses

BTG Pactual Participations’ other expenses include (i) expenses in connection with BTG Pactual Participations’ insurance business, (ii) expenses in connection with foreign exchange variation and (iii) tax expenses.

BTG Pactual Participations’ tax expenses include primarily (i) withholding taxes in connection with BTG Pactual Participations’ New York broker-dealer activities prior to the corporate restructuring of BTG Pactual related to commissions earned on Brazilian stock trades and underwriting activities and (ii) IOF taxes on financial transactions due upon the remittance of foreign currency to Brazil.

2012 versus 2011

BTG Pactual Participations’ other expenses increased from R$10.9 million in 2011 to R$63.4 million in 2012, mainly due to (i) higher provisions for insurance claims and other related expenses in line with the ramp-up of BTG Pactual Participations’ insurance business and (ii) negative foreign exchange variation related to receivables denominated in reais from one of BTG Pactual Participations’ subsidiaries as a result of the 8.6% depreciation of the *real* against the U.S. dollar in 2012. This increase in expenses was partially offset by the fact that BTG Pactual Participations had recorded no tax expenses in 2012 due to the transfer of BTG Pactual Participations’ operating subsidiaries responsible for conducting BTG Pactual’s international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. BTG Pactual Participations’ tax expenses in 2011 were R$3.2 million, primarily consisting of withholding tax related to BTG Pactual Participations’ New York broker-dealer activities in connection with the commissions earned on Brazilian stock trades and underwriting activities.

Total expenses

As a result of the foregoing, BTG Pactual Participations’ total expenses increased 30.4%, from R$207.9 million in 2011 to R$271.0 million in 2012.

Net income for the year

As a result of the foregoing, BTG Pactual Participations’ net income for the year increased 429.9% from R$171.9 million in 2011 to R$910.9 million in 2012.

Other comprehensive income (expenses)

BTG Pactual Participations’ other comprehensive income (expenses) consist of BTG Pactual Participations’ results from financial assets available for sale and currency translation adjustments, as described below.

Financial assets available for sale

BTG Pactual Participations’ financial assets available for sale are classified as other comprehensive income to the extent that such gains or losses from BTG Pactual Participations’ financial assets available for sale are not yet realized. Upon realization, such amounts are reclassified as "gain (loss) on financial assets available for sale," as described above.

2012 versus 2011

BTG Pactual Participations recorded a loss of R$14.2 million in 2012 from BTG Pactual Participations’ financial assets available for sale mainly as a result of unrealized losses on certain private equity investments. BTG Pactual Participations recorded no results on financial assets available for sale in 2011.

Currency translation adjustments

Pursuant to IFRS, BTG Pactual Participations is required to record gains or losses on BTG Pactual Participations’ net equity as a result of the conversion of BTG Pactual Participations’ financial statements denominated in U.S. dollars (BTG Pactual Participations' functional currency) into *reais* by using the year-end prevailing exchange rate for monetary assets and liabilities and the monthly average exchange rates for the income statement.

2012 versus 2011

BTG Pactual Participations' currency translation adjustment increased 10.7%, from R$291.6 million in 2011 to R$322.9 million in 2012. This increase is mainly attributable to higher gains from currency translation adjustments due to a 83.7% increase in BTG Pactual Participations' shareholders' equity, which was partially offset by a lower depreciation of the *real* against the U.S. dollar, which depreciated 8.6% in 2012 and 12.0% in 2011.

Total comprehensive income for the year

As a result of the foregoing, BTG Pactual Participations' total comprehensive income for the year increased from R$463.5 million in 2011 to R$1,219.7 million in 2012.

BTG Pactual Participations' Consolidated Balance Sheet (IFRS – audited)

The following table sets forth BTG Pactual Participations' balance sheet prepared in accordance with IFRS for the years ended December 31, 2010, 2011 and 2012 included in its consolidated financial statements:

	As of December 31,			
	2010	2011	2012	2012
	(in R$millions)			(in US$ millions)
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity and non-controlling interest	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

As of December 31, 2012, BTG Pactual Participations' total assets totaled R$27,816.2 million, representing a 9.1% decrease as compared to R$30,584.2 million at December 31, 2011. As of December 31, 2010, total assets totaled R$30,699.8 million, or 0.4% higher than December 30, 2011.

The 9.1% decrease in total assets at December 31, 2012 as compared to the prior year was due primarily to a reduction in open market investments and in due from brokers, which represent a shift in strategy which reduced the exposure to certain markets, including U.S. mortgage passthrough securities that utilized higher leverage. These reductions were partially offset by an increase in financial assets held for trading, primarily in U.S. Treasury and U.S. Agency securities. Total assets as of December 31, 2011 were in line with 2010 (0.4% decrease). Such decrease was due to a decrease in open market investments, offset by increases in financial assets held for trading and receivables from brokers, respectively.

Total liabilities as of December 31, 2012 decreased 16.2% to R$23,772.6 million, as compared to R$28,383.8 million in the previous year. The decrease was due to a reduction in financial liabilities held for trading and in payables to brokers, partially offset by an increase in open market funding, through which BTG Pactual Participations funds its portfolio through secured funding arrangements, such as repurchase agreements. Total liabilities as of December 31, 2011 were 2.0% lower as compared to December 31, 2010, when it totaled $28,961.6 million. Such decrease was due to a reduction in financial liabilities held for trading, partially offset by an increase in payables to brokers and in open market funding.

Shareholders' equity and non-controlling interest reached R$4,043.6 million at December 31, 2012, representing an increase of 83.8% compared to R$2,200.4 million at December 31, 2011. The increase was primarily due to the IPO proceeds of R$632.2 and to the 2012 net income of R$910.9 million. In addition, currency translation adjustments of R$323.0 million, recorded in other comprehensive income, contributed to the increase. At December 31, 2011, shareholders' equity and non-controlling interest had increased 26.6% as compared to December 31, 2010, when it totaled R$1,738.2 million. The increase in 2011 was mostly due to net income of R$172.0 million and currency translation adjustments of R$291.6 million.

BTGI's Consolidated Income Statement (IFRS – audited)

The following table sets forth our income statement prepared in accordance with IFRS for the years ended December 31, 2010, 2011 and 2012 included in its consolidated financial statements:

	For the year ended December 31,		
	2010	2011	2012
		(in R$millions)	
Interest income	54.8	5.4	48.0
Interest expense	(54.1)	(23.4)	(88.9)
Interest income/expenses (net)	0.7	(18.0)	(40.9)
Gains (losses) on financial instruments held for trading	452.2	273.8	637.9
Gains (losses) on financial assets available for sale	-	-	546.9
Share of profit of associates and joint ventures	-	-	(5.5)
Fees and commission	116.7	99.9	-
Other operating income, net	2.7	24.3	43.5
Total income	572.3	379.9	1,181.9
Administrative expenses	(141.3)	(122.1)	(207.6)
Personnel expenses	(97.0)	(74.9)	-
Other expenses	(17.8)	(10.9)	(63.4)
Total expenses	(256.1)	(207.9)	(271.0)
Net income for the year	316.2	171.9	910.9
Other comprehensive income (expenses)			
Financial assets available for sale	-	-	(14.2)
Currency translation adjustments	(71.7)	291.6	322.9
Total comprehensive income for the year	244.5	463.5	1,219.7

Interest income

BTGI’s interest income consists primarily of (i) interest BTGI charges with respect to open market transactions, and (ii) interest charges and foreign exchange results (in 2010 and 2011) with respect to loans and receivables (consisting mainly of related party loans).

The table below shows the composition of BTGI’s interest income for the years indicated:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Interest on open market transactions	41.9	7.6	11.9
Loans and receivables	12.9	(2.2)	36.1
Interest income	**54.8**	**5.4**	**48.0**

<u>2012 versus 2011</u>

BTGI’s interest income increased from R$5.4 million in 2011 to R$48.0 million in 2012. This increase was mainly due to higher income from BTGI’s credit operations as a result of an increase in BTGI’s loan portfolio, from an average balance of R$368.2 million in 2011 to R$543.9 million in 2012. In addition, in 2011, BTGI recorded a R$18.6 million loss on the balance of related party loans denominated in *reais*, as a result of the 3.5% depreciation of the *real* against the U.S. dollar in 2011. In 2012, BTGI recorded a R$50.7 million foreign exchange loss with respect to such 1oans, which was recorded as interest expense.

<u>2011 versus 2010</u>

BTGI’s interest income decreased 90.1%, from R$54.8 million in 2010 to R$5.4 million in 2011. In 2011, BTGI had a R$18.6 million loss on the balance of related party loans denominated in *reais*, as a result of the 12.0% depreciation of the *real* against the U.S. dollar during the year. In 2010, BTGI had a R$20.6 million gain on the R$1.2 billion loan denominated in *reais* granted to BTG Pactual Participações II S.A, or "BTG Participações," in connection with the acquisition of Banco BTG Pactual by the Partners in 2009 (as BTG Participações was the holding company through which the Partners acquired Banco BTG Pactual) a result of (i) the 0.65% appreciation of the *real* against the U.S. dollar from January 1, 2010 to November 26, 2010, the date on which BTG Participações repaid R$730 million of the outstanding amount of such loan, and (ii) the 3.58% appreciation of the *real* against the U.S. dollar from January 1, 2010 to December 29, 2010, the date on which BTG Participações repaid the remaining R$470 million of the outstanding amount of such loan.

Interest expense

BTGI’s interest expenses consist primarily of (i) funding expenses consisting mainly of interest expenses in connection with repurchase agreements in open market funding transactions, (ii) interest BTGI pays on loans and financing and (iii) foreign exchange losses in connection with BTGI’s loans and receivables (consisting mainly of related party loans).

The table below shows the composition of BTGI’s interest expenses for the periods indicated:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Funding expenses	(44.4)	(16.7)	(31.5)
Interest on loans and financing	(9.7)	(6.7)	(6.7)
Foreign exchange	-	-	(50.7)
Interest expenses	**(54.1)**	**(23.4)**	**(88.9)**

2012 versus 2011

BTGI's interest expenses increased 279.9%, from R$23.4 million in 2011 to R$88.9 million in 2012, mainly due to (i) a R$14.8 million increase in interest expenses from repurchase agreements on open market transactions due to an increase in the average balance of such transactions in 2012 as compared to 2011, mainly aimed to finance U.S. Treasury and U.S. Agencies notes and (ii) an expense of R$50.7 million related to foreign exchange in 2012 associated with BTGI's related party loans denominated in *reais* as a result of the 8.6% depreciation of the *real* against the U.S. dollar in 2012.

2011 versus 2010

BTGI's interest expenses decreased 56.7%, from R$54.1 million in 2010 to R$23.4 million in 2011, mainly due to (i) a R$27.7 million decrease in interest expenses from repurchase agreements on open market transactions due to the lower average balance of such transactions in 2011 as compared to 2010, mainly aimed to finance U.S. treasury and U.S. agencies notes, and (ii) a R$3.1 million decrease in expenses from borrowing and onlending resulting from a lower average balance of such borrowings

Interest income/expenses (net)

As a result of the foregoing, BTGI's interest income/expenses (net) varied from a gain of R$0.7 million in 2010 to losses of R$18.0 million and R$40.9 million in 2011 and 2012, respectively.

Gains (losses) on financial instruments held for trading

BTGI's gains (losses) on financial instruments held for trading consists of results from BTGI's global markets activities, composed primarily of gains from the investments managed by Banco BTG Pactual's New York and Brazil asset management teams. In 2010, through BTGI's investment in ARF, BTGI also had results from investments managed by Banco BTG Pactual's London and Hong Kong asset management teams. However, in the first quarter of 2010, the investment strategies of ARF changed and, as a result, Banco BTG Pactual's London asset management team ceased to conduct portfolio management activities for ARF and became a manager of an exclusive fund of Banco BTG Pactual in which BTGI does not invest. Accordingly, BTGI's returns from ARF no longer reflect gains resulting from the previous investment strategy. For additional information regarding ARF, see "Business—Business Units—Asset Management—Global Hedge Funds."

2012 versus 2011

BTGI's gains (losses) on financial instruments held for trading increased 133.0%, from R$273.8 million in 2011 to R$637.9 million in 2012, mainly due to (i) higher gains from fixed income products in Brazil, which benefited from the easing cycle of Brazilian interest rates, (ii) improved performance of ARF, which had negatively affected us in 2011 due to BTGI's exposure, and (iii) gains from BTGI's investment in equities in 2012, primarily driven by the increase of the BM&FBOVESPA index compared to 2011. This gain was partially offset by (i) mark-to-market losses on the credit default swaps, or CDS, used by us to guarantee certain financial obligations of Petra Energia S.A. (a company belonging to the STR Group) under loans granted to it by Banco BTG Pactual (see "Related Party Transactions—BTGI Guarantee to Banco BTG Pactual Loans") and (ii) lower gains associated with BTGI's mortgage related-products.

2011 versus 2010

BTGI's gains (losses) on financial instruments held for trading decreased 39.5%, from R$452.2 million in 2010 to R$273.8 million in 2011, mainly due to (i) a shift in the investment strategy of ARF, which resulted in the reduction of transactions leveraged with short-term funding, (ii) lower gains from investments managed by Banco BTG Pactual's New York asset management team, which in 2010 still benefited from the interest rate volatility in the U.S. and that in 2011 suffered from the impact of interest rates markets related to the instability in the macroeconomic scenario in Europe and (iii) losses from investment in equities managed by

Banco BTG Pactual's Brazilian asset management team in 2011, primarily driven from the decrease of BM&FBOVESPA index during this period.

Gains (losses) on financial assets available for sale

BTGI's gains (losses) on financial assets available for sale consists of results from the sale or transfer of securities originally purchased with the intent of selling prior to a lengthy time period, which includes the sale of BTGI's interests in the portfolio companies of BTG Pactual.

2012 versus 2011

BTGI's gains (losses) on financial assets available for sale was R$546.9 million in 2012 compared to no gain (loss) in 2011. In 2012, BTGI's gains were derived from the sale of certain of BTGI's equity interests in STR Projetos e Participações em Recursos Naturais. Such interests were sold on July 4, 2012 for R$699.0 million in a transaction executed on the BM&FBOVESPA.

2011 versus 2010

There were no gains (losses) on financial assets available for sale in 2010 or 2011.

Share of profit of associates and joint ventures

BTGI's share of profit of associates and joint ventures consists of results from BTGI's recent direct investments in portfolio companies in which BTGI does not have control.

2012 versus 2011

BTGI's share of profit of associates and joint ventures presented a loss of R$5.5 million in 2012 as a result of BTGI's direct investments in B&A Mineração, Túnel de Barcelona i Cadí and ATLL Concessionaria de La Generalitat de Catalunya S.A. BTGI recorded no share of profit of associates and joint ventures in 2011.

2011 versus 2010

BTGI recorded no share of profit of associates and joint ventures in either 2011 or 2010.

Fees and commission income

BTGI's fees and commission income consists primarily of asset management fees, brokerage fees and underwriting fees which BTGI earned prior to the corporate restructuring of BTG Pactual in September 2011.

2012 versus 2011

In 2012, BTGI recorded no fees and or commission income, since BTGI transferred all of its operating subsidiaries that conducted asset management activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. BTGI's fees and commission income was R$99.9 million in 2011, consisting of asset management and performance fees, brokerage fees and underwriting fees earned through BTGI's asset management operations in the first three quarters of 2011 conducted through BTGI's former operating subsidiaries.

2011 versus 2010

BTGI's fees and commission income decreased 14.4%, from R$116.7 million in 2010 to R$99.9 million in 2011, mainly due to the transfer of BTGI's operating subsidiaries responsible for conducting BTG Pactual's international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011, coupled with a 40.0% decrease of BTGI's asset management fees resulting from the lower performance of the assets managed. This decrease was partially offset by a 34.4% increase in brokerage fees and a 163.3% increase in underwriting fees.

Other operating income (net)

BTGI's other operating, net consists primarily of BTGI's operating income not otherwise classified as part of the other income line items described above, and includes the recognition of equity kicker fees accrued on BTGI's investments transferred to the Merchant Banking Partnership. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divesture of BTG Alpha."

2012 versus 2011

BTGI's other operating income, net increased 79.0%, from R$24.3 million in 2011 to R$43.5 million in 2012, mainly due to an increase in revenue from insurance premiums as a result of the expansion of BTGI's insurance business, which commenced in 2011, through BTGI's subsidiary Preserve Insurance Co. This gain was partially offset by the recognition in 2011 of equity kicker fees accrued on certain investments transferred to the Merchant Banking Partnership, with no corresponding gain in 2012. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divestiture of BTG Alpha."

2011 versus 2010

BTGI's other operating income, net increased from R$2.7 million in 2010 to R$24.3 million in 2011, mainly due to the recognition of an equity kicker fee on certain investments transferred to the Merchant Banking Partnership. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divesture of BTG Alpha."

Total income

As a result of the foregoing, BTGI's total income (i) increased 211.1%, from R$379.9 million in 2011 to R$1,181.9 million in 2012, and (ii) decreased 33.6%, from R$572.3 million in 2010 to R$379.9 million in 2011.

Administrative expenses

BTGI's administrative expenses include the following costs and expenses:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Professional fees	100.1	89.0	207.2
Expenses related to financial market	6.6	7.1	-
Other administrative expenses	34.6	26.0	0.4
Total	**141.3**	**122.1**	**207.6**

2012 versus 2011

BTGI's administrative expenses increased 70.0%, from R$122.1 million in 2011 to R$207.6 million in 2012, mainly due to an increase in performance fees paid by us in connection with ARF to Banco BTG Pactual's asset management teams in Brazil and New York, as a result of both (i) the better performance of ARF during the period and (ii) the transfer of BTGI's New York asset management platform to Banco BTG Pactual in September 2011 as part of the corporate restructuring of BTG Pactual, whereas prior to this corporate restructuring, a portion of the performance fees payable in connection with ARF were eliminated in the consolidation process. This increase was partially offset by a decrease in administrative expenses in 2012 as a result of us no longer having any operating subsidiaries following the corporate restructuring of BTG Pactual.

2011 versus 2010

BTGI's administrative expenses decreased 13.6%, from R$141.3 million in 2010 to R$122.1 million in 2011, mainly due to (i) the transfer of BTGI's operating subsidiaries responsible for conducting BTG Pactual's international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. Such subsidiaries incurred R$10.9 million of expenses related to premises, travel presentations and conferences in 2011, compared to R$14.2 million in 2010; (ii) the R$5.4 million in legal and consultancy expenses incurred in 2010 in connection with, among other things, initiatives to implement changes to BTGI's corporate governance and organizational structure in anticipation of the private placement of securities to the members of the Consortium; and (iii) the reduction in brokerage fees paid to brokers, as a result of the termination of portfolio management activities of the London asset management team in ARF, in the first quarter of 2010.

Personnel expenses

BTGI's personnel expenses consisted of salaries, benefits, bonuses, social security charges and other payments made to BTGI's personnel, including retention expenses. BTGI ceased to incur such expenses beginning in September 2011, when its operating subsidiaries responsible for conducting BTGI's international activities in London, New York, and Hong Kong were transferred to Banco BTG Pactual.

2012 versus 2011

BTGI recorded no personnel expenses in 2012 as a result of not having any employees following the transfer of BTGI's operating subsidiaries responsible for conducting BTGI's international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011.

2011 versus 2010

BTGI's personnel expenses decreased 22.8%, from R$97.0 million in 2010 to R$74.9 million in 2011, mainly due to (i) a decrease in bonus expenses of R$12.8 million in line with BTGI's lower profit during such period and (ii) the transfer of BTGI's operating subsidiaries responsible for conducting BTG Pactual's international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. These subsidiaries incurred personal expenses of R$25.4 million in 2011, compared to R$34.7 million in 2010.

Other expenses

BTGI's other expenses include (i) expenses in connection with BTGI's insurance business, (ii) expenses in connection with foreign exchange variation and (iii) tax expenses.

BTGI's tax expenses include primarily (i) withholding taxes in connection with BTGI's New York broker-dealer activities prior to the corporate restructuring of BTG Pactual related to commissions earned on Brazilian stock trades and underwriting activities and (ii) IOF taxes on financial transactions due upon the remittance of foreign currency to Brazil.

2012 versus 2011

BTGI's other expenses increased from R$10.9 million in 2011 to R$63.4 million in 2012, mainly due to (i) higher provisions for insurance claims and other related expenses in line with the ramp-up of BTGI's insurance business and (ii) negative foreign exchange variation related to receivables denominated in reais from one of BTGI's subsidiaries as a result of the 8.6% depreciation of the real against the U.S. dollar in 2012. This increase in expenses was partially offset by the fact that BTGI had recorded no tax expenses in 2012 due to the transfer of BTGI's operating subsidiaries responsible for conducting BTG Pactual's international activities in London, New York, and Hong Kong to Banco BTG Pactual in September 2011. BTGI's tax expenses in 2011 were R$3.2 million, primarily consisting of withholding tax related to BTGI's

New York broker-dealer activities in connection with the commissions earned on Brazilian stock trades and underwriting activities.

2011 versus 2010

BTGI's other expenses decreased 38.8%, from R$17.8 million in 2010 to R$10.9 million in 2011. The expenses in 2011 include mainly foreign exchange variation of receivables and, in 2010, BTGI's expenses include losses recorded on results of BTG Alpha prior to its sale at book value to the Merchant Banking Partnership. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divestiture of BTG Alpha." This increase was partially offset by a 54.9% decrease in tax expenses, from R$7.1 million in 2010 to R$3.2 million in 2011, mainly due to the payment of an IOF tax on financial transactions in 2010 that is due upon the remittance of foreign currency to Brazil, which BTGI did not incur in 2011.

Total expenses

As a result of the foregoing, BTGI's total expenses (i) increased 30.4%, from R$207.9 million in 2011 to R$271.0 million in 2012, and (ii) decreased 18.8%, from R$256.1 million in 2010 to R$207.9 million, in 2011.

Net income for the year

As a result of the foregoing, BTGI's net income for the year (i) increased 429.9% from R$171.9 million in 2011 to R$910.9 million in 2012; and (ii) decreased 45.6%, from R$316.2 million in 2010 to R$171.9 million in 2011.

Other comprehensive income (expenses)

BTGI's other comprehensive income (expenses) consist of BTGI's results from financial assets available for sale and currency translation adjustments, as described below.

Financial assets available for sale

BTGI's financial assets available for sale are classified as other comprehensive income to the extent that such gains or losses from BTGI's financial assets available for sale are not yet realized. Upon realization, such amounts are reclassified as "gain (loss) on financial assets available for sale," as described above.

2012 versus 2011

BTGI recorded a loss of R$14.2 million in 2012 from BTGI's financial assets available for sale mainly as a result of unrealized losses on certain private equity investments. BTGI recorded no results on financial assets available for sale in 2011.

2011 versus 2010

BTGI recorded no results on financial assets available for sale in 2011 or 2010.

Currency translation adjustments

Pursuant to IFRS, BTGI is required to record gains or losses on BTGI's net equity as a result of the conversion of BTGI's financial statements denominated in U.S. dollars (BTGI's functional currency) into *reais* by using the year-end prevailing exchange rate for monetary assets and liabilities and the monthly average exchange rates for the income statement.

2012 versus 2011

BTGI's currency translation adjustment increased 10.7%, from R$291.6 million in 2011 to R$322.9 million in 2012. This increase is mainly attributable to higher gains from currency translation adjustments due to a

83.7% increase in BTGI's shareholders' equity, which was partially offset by a lower depreciation of the *real* against the U.S. dollar, which depreciated 8.6% in 2012 and 12.0% in 2011.

2011 versus 2010

BTGI's other comprehensive income translation adjustments varied from a loss of R$71.7 million in 2010 to a gain of R$291.6 million in 2011. This variation is in line with the variation of the exchange rate of the *real* against the U.S. dollar, which depreciated 12.0% in 2011 and appreciated 3.5% in 2010. This variation was resulted from the 29.4% increase in BTGI's shareholders' equity.

Total comprehensive income for the year

As a result of the foregoing, BTGI's total comprehensive income for the year (i) increased from R$463.5 million in 2011 to R$1,219.7 million in 2012 and (ii) increased 89.6%, from R$244.5 million in 2010 to R$463.5 million in 2011.

BTGI's Consolidated Balance Sheet (IFRS – audited)

The following table sets forth BTGI's balance sheet prepared in accordance with IFRS for the years ended December 31, 2010, 2011 and 2012 included in its consolidated financial statements:

	As of December 31,			
	2010	2011	2012	2012
	(in R$millions)			(in US$ millions)
Assets				
Cash and cash equivalents	995.5	31.9	78.8	38.6
Open market investments	5,745.5	2,995.9	11.2	5.5
Derivative financial instruments	65.9	24.4	510.3	249.7
Financial assets held for trading	17,089.3	18,719.5	22,964.6	11,237.9
Financial assets available for sale	182.9	480.4	1,044.9	511.3
Loans and receivables	347.0	376.2	721.8	353.2
Receivables from brokers	6,058.9	7,838.0	1,238.8	606.2
Non-current assets held for sale	–	–	338.5	165.6
Investment in associates and joint ventures	–	–	571.4	279.6
Other Assets	214.8	117.9	336.0	164.4
Total assets	30,699.8	30,584.2	27,816.2	13,612.0
Liabilities and Shareholders' equity				
Open market funding	8,190.8	9,916.5	21,393.9	10,469.2
Derivative financial instruments	55.8	309.1	849.5	415.7
Financial liabilities held for trading	13,963.5	4,979.9	855.8	418.8
Financial liabilities at amortized costs	565.6	107.4	286.2	140.1
Payables to brokers	5,949.9	12,979.4	281.8	137.9
Other liabilities	236.0	91.5	105.5	51.6
Shareholders' equity and non-controlling interest	1,738.2	2,200.4	4,043.6	1,978.8
Total liabilities and shareholders' equity	30,699.8	30,584.2	27,816.2	13,612.0

As of December 31, 2012, BTGI's total assets totaled R$27,816.2 million, representing a 9.1% decrease as compared to R$30,584.2 million at December 31, 2011. As of December 31, 2010, total assets totaled R$30,699.8 million, or 0.4% higher than December 30, 2011.

The 9.1% decrease in total assets at December 31, 2012 as compared to prior year was due primarily to a reduction in open market investments and in due from brokers, which represent a shift in strategy which reduced the exposure to certain markets, including U.S. mortgage passthrough securities, that utilized higher leverage.; these reductions were partially offset by an increase in financial assets held for trading, primarily in U.S. Treasury and U.S. Agency securities. Total assets as of December 31, 2011 were in line with 2010 (0.4% decrease). Such decrease was due to a decrease in open market investments, offset by increases in financial assets held for trading and receivables from brokers, respectively.

Total liabilities as of December 31, 2012 decreased 16.2% to R$23,772.6 million, as compared to R$28,383.8 million in the previous year. The decrease was due to a reduction in financial liabilities held for trading and in payables to brokers, partially offset by an increase in open market funding, through which we fund our portfolio through secured funding arrangements, such as repurchase agreements. Total liabilities as of December 31, 2011 were 2.0% lower as compared to December 31, 2010, when it totaled $28,961.6 million. Such decrease was due to a reduction in financial liabilities held for trading, partially offset by an increase in payables to brokers and in open market funding.

Shareholders' equity and non-controlling interest reached R$4,043.6 million at December 31, 2012, representing an increase of 83.8% compared to R$2,200.4 million at December 31, 2011. The increase was primarily due to the IPO proceeds of R$632.2 and to the 2012 net income of R$910.9 million. In addition, currency translation adjustments of R$323.0 million, recorded in other comprehensive income, contributed to the increase. At December 31, 2011, shareholders' equity and non-controlling interest had increased 26.6% as compared to December 31, 2010, when it totaled R$1,738.2 million. The increase in 2011 was mostly due to net income of R$172.0 million and currency translation adjustments of R$291.6 million.

Combined Income Statement of BTG Pactual (Brazilian GAAP—audited)

The following table sets forth the income statement of BTG Pactual prepared in accordance with Brazilian GAAP for the years ended December 31, 2010, 2011 and 2012 included in the financial statements included elsewhere in this Prospectus:

	As of December 31,			
	2010[(1)]	**2011**	**2012**	**2012**
	(in R$millions)			**(in US$ millions)**
Financial income	4,109.6	6,627.1	10,025.3	4,905.9
Loans	369.1	1,014.3	1,373.7	672.2
Securities	3,279.8	5,322.1	8,046.0	3,937.4
Derivative financial instruments	391.9	–	426.0	208.5
Foreign Exchange	68.9	249.6	116.5	57.0
Mandatory investments	–	41.1	63.2	30.9
Financial expenses	(2,482.6)	(4,577.2)	(5,313.8)	(2,600.3)
Funding operations	(2,503.4)	(4,018.8)	(4,258.0)	(2,083.7)
Borrowing and onlending	27.8	(524.2)	(587.5)	(287.5)
Derivative financial instruments	–	(4.2)	–	–
Allowance for loan losses and other receivables	(7.0)	(30.0)	(468.3)	(229.2)
Net financial income	1,627.0	2,049.8	4,711.5	2,305.6
Other operating income (expenses)	156.8	107.7	242.9	118.9
Income from services rendered	819.7	1,115.3	2,003.5	980.4
Personnel expenses	(278.1)	(395.4)	(606.0)	(296.6)
Other administrative expenses	(306.2)	(382.6)	(666.9)	(326.4)
Tax charges	(196.3)	(290.5)	(286.6)	(140.2)
Equity in the earnings of associates and jointly controlled entities	–	(3.5)	240.3	117.6
Other operating income	178.5	167.8	153.4	75.1
Other operating expenses	(60.8)	(103.5)	(594.9)	(291.1)

Operating income	1,783.8	2,157.5	4,954.4	2,424.5
Non-operating income (expenses)	(24.8)	9.2	(12.0)	(5.9)
Income before taxation and profit sharing	1,759.0	2,166.7	4,942.4	2,418.6
Income tax and social contribution	(380.7)	200.4	(727.5)	(356.0)
Provision for income tax	(71.1)	(125.6)	(607.5)	(297.3)
Provision for social contribution	(39.7)	(54.6)	(285.7)	(139.8)
Deferred income tax and social contribution	(269.9)	380.6	165.7	81.1
Statutory profit sharing	(251.1)	(440.4)	(938.2)	(459.1)
Non-controlling interest	–	(5.0)	(21.1)	(10.3)
Net income for the year	1,127.2	1,921.7	3,255.6	1,593.1
Interest on equity	(15.4)	(319.0)	(440.0)	(215.3)

(1) The Group has evaluated the presentation of the results with energy trading generated by our subsidiary Coomex and has changed the accounting policies and reclassified these results in comparative financial statements. The reclassification aims to present the results from energy derivatives from Coomex and the Bank in a single line in our income statement. As a result, R$65.1 has been reclassified from "Income from energy trading", presented in "Other operating income" to "Derivatives financial instruments" in the income statement for the year ended December 31, 2010.

Net Financial Income

Our net financial income consists of our financial income less our financial expenses.

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

Our financial expenses are composed primarily of expenses derived from (i) interest expenses in connection with repurchase agreements on open market transactions and deposits; (ii) interest and fees paid on our borrowings in Brazil and abroad, including borrowings from governmental agencies such as BNDES, in which we act as agent; (iii) net realized and unrealized losses from (a) our trading of financial instruments for the purpose of mitigating risk, including swaps, forwards, future, options and other derivatives, and (b) mark-to-market accounting practices applicable to such instruments; (iv) gains or losses on our short position of equities on BM&FBOVESPA; (v) interest expenses on secured funding obtained from our prime brokers and (vi) allowance for loan losses made in accordance with our accounting practices and as determined by the requirements of CMN Resolution 2,682/99.

2012 versus 2011

Financial Income. Our financial income increased 51.3%, from R$6,627.1 million in 2011 to R$10,025.3 million in 2012. This increase was due to the following factors:

Loans. Our revenues from loans increased 35.4%, from R$1,014.3 million in 2011 to R$1,373.7 million in 2012, mainly due to: (i) a 32.7% increase in our loan portfolio, from an average balance of R$5,425.4 million in 2011 to an average balance of R$7,197.9 million in 2012; and (ii) a 142.3% increase in our credit receivable portfolio, which includes primarily payroll loans and vehicle financing through our credit receivable investment fund (FIDC), from an average balance of R$1,148.3 million in 2011 to an average balance of R$2,782.1 million in 2012. This increase was partially offset by lower CDI interest rates, which decreased from an average of 11.6% in 2011 to an average of 8.4% in 2012.

Securities. Our revenues from securities increased 51.2%, from R$5,322.1 million in 2011 to R$8,046.0 million in 2012, mainly due to: (i) higher trading revenues from securities traded in the international markets; (ii) higher revenues from securities with credit exposure, such as debentures, promissory notes and certificates of real estate receivables, which increased from an average balance of R$4,846.5 million in 2011 to an average balance of R$8,918.1 million in 2012, and (iii) higher trading revenues from cash equities due to the performance of the IBOVESPA index (particularly in the first quarter of 2012), which increased 7.3% in 2012, compared to a 18.1% decrease in 2011.

Derivative Financial Instruments. Our results from derivative financial instruments varied from a loss of R$4.2 million in 2011 (which were recorded as a financial expense under "derivative financial instruments") to a gain of R$426.0 million in 2012, mainly due to (i) increased gains on derivative transactions related to our global market strategy, (ii) increased gains from equity-linked derivatives, and (iii) increased gains from derivatives linked to interest rates as a result of the positive impact of the CDI interest rate decreases during the period, from an average of 11.6% in 2011 to an average of 8.4% in 2012. This gain was partially offset by lower gains from energy contracts.

Foreign Exchange. Our foreign exchange results decreased 53.3%, from R$249.6 million in 2011 to R$116.5 million in 2012, primarily as a result of the higher foreign exchange rate volatility in the foreign exchange markets in Brazil in 2011.

Mandatory Investments. Our revenues from mandatory investments, which are derived from our mandatory deposits placed with the Central Bank, increased 53.8%, from R$41.1 million in 2011 to R$63.2 million in 2012. While the average balance of our mandatory deposits (which is indexed to the SELIC rate) remained relatively stable from July to December 2011 and through 2012, we recorded higher revenues in 2012 as a result of full-year interest recognition in 2012 compared to only half-year interest recognition in 2011. Our mandatory deposits are required by the Central Bank as a function of our balance of time deposits, which has been growing consistently over the past three years. In the second half of 2011, our total balance of time deposits for the first time exceeded the threshold above which it is required to place mandatory deposits with the Central Bank. This increase in revenues from mandatory investments was partially offset by a decrease in the CDI interest rates, from an average of 11.6% in 2011 to an average of 8.4% in 2012.

Financial Expenses. Our financial expenses increased 16.1%, from R$4.577.2 million in 2011 to R$5,313.8 million in 2012. This increase was due to the following factors:

Funding Operations. Our expenses from funding operations increased 6.0%, from R$4,018.8 million in 2011 to R$4,258.0 million in 2012, mainly as a result of (i) an increase in expenses, from R$200.4 million in 2011 to R$465.5 million in 2012, due to our issuance of R$3.975 billion in subordinated notes in April 2011, with an average maturity of 7.8 years with no principal payments due until October 2016, (ii) an increase in expenses of R$24.8 million in 2012 related to the issuance of US$800.0 million ten-year subordinated notes in September 2012, at a fixed-rate of 5.75% per annum and (iii) an increase in expenses, from R$23.8 million in 2011 to R$51.9 million in 2012, due mainly to the issuance of (a) US$500.0 million five-year senior notes in July 2011 and (b) US$235.0 million five-year senior notes in September and October 2012. These increases were partially offset by lower CDI interest rates, which decreased from an average of 11.6% in 2011 to an average of 8.4% in 2012. This decrease impacted expenses related to most of our funding instruments, particularly (i) our open market funding, which decreased from R$2,644.1 million in 2011 to R$2,611.0 million in 2012, despite an increase in the average balance of its open market funding portfolio, from R$52,730.0 million in 2011 to R$61,351.3 million in 2012 and (ii) our CDB and CDI portfolios which generated expenses of R$866.8 million in 2012, compared to R$943.3 million in 2011 despite a 37.2% increase in our average balance, from an average of R$10,179.6 million in 2011 to an average of R$13,967.8 million in 2012.

Borrowing and onlending. Our expenses from borrowing and onlending increased 12.1% from R$524.2 million in 2011 to R$587.5 million in 2012, mainly due to negative mark-to-market adjustments of our equity short positions traded on BM&FBOVESPA, which generated losses of R$280.2 million in 2012, compared to a loss of R$58.3 million in 2011, partially offset by a decrease in losses from exchange rate fluctuations on our borrowings denominated in currencies other than the *real*, which generated expenses of R$264.7 million in 2012, compared to expenses of R$422.6 million in 2011.

Allowance for loan losses and other receivables. Our expenses related to allowance for loan losses and other receivables increased from R$30.0 million in 2011 to R$468.3 million in 2012, mainly due to an increase in provisions for loan losses both in terms of amount and as a percentage of each of our loan portfolio and portfolio of other credit receivables. Our provisions for loan losses as of December 31, 2012 were R$244.6 million, or 1.2% of our loan portfolio, including credit receivables and off-balance sheet items such as letters of credit and commitments, of R$20,900.0 million, compared to provisions of R$96.4 million, or 0.8% of our total loan portfolio, including credit receivables and off-balance sheet items such as letters of credit and commitments, of R$11,628.8 million as of December 31, 2011. In addition, our provisions for loan losses for portfolio of other credit receivables, which primarily consists of payroll loans and vehicle financing through our credit rights investment fund (FIDC), as of December 31, 2012, were R$1,017.2 million, or 39.9% of our portfolio of other credit receivables of R$2,549.0 million, compared to provisions of R$658.0 million, or 21.3% of our portfolio of other credit receivables of R$3,095.3 million as of December 31, 2011.

Losses from derivative financial instruments. Our losses related to derivative financial instruments in 2011 were mainly due to (i) the 12.0% depreciation of the *real* against the U.S. dollar in 2011, which resulted in a loss on our derivatives used to hedge our U.S. dollar exposure with respect to the shareholders' equity of the Cayman Islands Branch of Banco BTG Pactual, (ii) losses with equity linked derivatives in 2011 and (iii) losses in derivatives related to our global markets strategies. Those losses were partially offset by a gain with derivatives linked to interest rates movements in 2011.

2011 versus 2010

Our net financial income increased 17.5%, from R$1,561.9 million in 2010 to R$1,835.9 million in 2011, mainly due to the general growth of our businesses, including as a result of our deployment of the proceeds from the issuance of US$1.8 billion (R$3.0 billion) of new equity capital to the members of the Consortium and the Participating Partners in December 2010, which enhanced our capital base.

Financial Income. Our financial income increased 61.3%, from R$4,109.6 million in 2010 to R$6,627.1 million in 2011. This increase was due to the following factors:

Loans. Our revenues from loans increased 174.8%, from R$369.1 million in 2010 to R$1,014.3 million in 2011, mainly due to: (i) a 55.2% increase in our credit portfolio, from an average balance of R$3,323.6 million in 2010 to an average balance of R$5,157.6 million in 2011, (ii) a 12.0% depreciation of the *real* against the U.S. dollar in 2011 which increased the *real* revenues generated by our credit operations backed by export receivables tied to U.S. dollars (our average balance of export receivables tied to U.S. dollars, which is included in our total credit portfolio, increased from an average balance of R$570.9 million in 2010 to an average balance of R$1,178.1 million in 2010), and (iii) higher CDI interest rates, which increased from an average of 9.71% in 2010 to an average of 11.60% in 2011.

Securities. Our revenues from securities increased 62.3%, from R$3,279.8 million in 2010 to R$5,322.1 million in 2011, mainly due to a 28.6% increase of our open market investments portfolio in Brazil, from an average balance of R$13,323.3 million in 2010 to an average balance of R$17,137.0 million in 2011, coupled with a 96.5% increase of our Brazilian government bonds portfolio, from an average balance of R$5,171.1 million in 2010 to an average balance of R$10,162.3 million in 2011. The increase in revenues from these marketable securities was partially offset by the lower trading revenues from the trading of securities in the international markets.

Derivative Financial Instruments. Our results from derivative financial instruments varied from a gain of R$391.9 million in 2010 to a loss of R$4.2 million in 2011 (which was recorded as a financial expense under "derivative financial instruments"). In 2010, our gains were mainly due to the increased volume of derivative transactions entered into with our sales and trading activities, which generated stronger gains in commodities derivatives and foreign exchange contracts tied to U.S. dollars and CDI during that year. This increase in 2010 was partially offset by lower gains from derivative transactions related to our global market strategies.

Foreign Exchange. Our foreign exchange results increased 262.3%, from R$68.9 million in 2010 to R$249.6 million in 2011, due to trading revenues as a result of the higher foreign exchange rate volatility in the markets in which we operated in 2011.

Mandatory Investments. We had revenue of R$41.1 million from compulsory investments in 2011, as a result of a mandatory deposit placed with the Central Bank, compared to no revenue in 2010. Our mandatory deposits are required by the Central Bank as a function of our balance of time deposits, which has been growing consistently during the past 2 years. On July 1, 2011 our total balance of time deposits for the first time exceeded the threshold above which we are required to place mandatory deposits with the Central Bank. The average balance of our mandatory deposits since July 1, 2011 was R$761.9 million, accumulating interest at a rate equivalent to the SELIC rate.

Financial Expenses*.* Our financial expenses increased 84.4%, from R$2,482.6 million in 2010 to R$4,577.2 million in 2011. This increase was due to the following factors:

Funding Operations. Our expenses from funding operations increased 60.5%, from R$2,503.4 million in 2010 to R$4,018.8 million in 2011, mainly as a result of an increase of 85.1% in the average balance of our CDB and CDI portfolios, from an average balance of R$5,499.7 million in 2010 to an average balance of R$10,179.6 million in 2011. Such increase in the average balance of our CDB and CDI portfolios generated interest expenses in the amount of R$943.3 million in 2011, compared to R$529.9 million in 2010. In addition, our expenses from funding operations increased during this period as a result of a 52.1% increase in the average balance of our open market funding portfolio, from an average balance of R$34,672.9 million in 2010 to an average balance of R$52,730.0 million in 2011. Such increase in our open market funding portfolio generated expenses in the amount of R$2,662.6 million in 2011, compared to R$1,879.1 million in 2010. We also issued R$3.975 billion in subordinated notes in April 2011. Such subordinated notes have an average maturity of 7.8 years with no principal payments due until October 2016. Our subordinated notes generated a total of R$200.4 million in interest expenses in 2011, which was consistent with the growth of our credit and marketable securities portfolio described above. Our funding expenses were also affected by the SELIC rate, which increased from an average of 9.71% in 2010 to an average of 11.6% in 2011.

Borrowing and onlending. Our expenses from borrowing and onlending increased from revenue of R$27.8 million in 2010 to an expense of R$524.2 million in 2011, mainly due to (i) negative mark-to-market adjustments of our equity short position on BM&FBOVESPA, which generated losses of R$62.6 million in 2011, compared to gains of R$37.0 million in 2010, (ii) losses from exchange rate fluctuations on our borrowings denominated in currencies other than the *real*, which generated expenses of R$424.4 million in 2011, compared to gains of R$2.6 million in 2010 and (iii) interest paid to prime brokers which amounted to R$31.7 million in 2011, compared to R$9.0 million in 2010. The losses due to exchange rate fluctuations were mainly the result of (i) an increase in our borrowings denominated in currencies other than the *real* in

2011, from an average balance of R$250.1 million in 2010 to an average balance of R$1,498.9 million in 2011, primarily due to Banco BTG Pactual's issuance of US$500.0 million in medium term notes in July 2011 and (ii) the 12.0% depreciation of the *real* against the U.S. dollar during 2011.

Derivative financial instruments. Our losses related to derivative financial instruments in 2011 were mainly due to (i) the 12.0% depreciation of the *real* against the U.S. dollar in 2011, which resulted in a loss on our derivatives used to hedge our U.S. dollar exposure with respect to the shareholders' equity of the Cayman Islands Branch of Banco BTG Pactual, (ii) losses with equity linked derivatives in 2011 and (iii) losses in derivatives related to our global markets strategies. Those losses were partially offset by a gain with derivatives linked to interest rates movements in 2011.

Allowance for loan losses and other receivables. Our expenses related to allowance for loan losses and other receivables increased from R$7.0 million in 2010 to R$30.0 million in 2011. Our provisions for loan losses as of December 31, 2011 were R$82.6 million, or 1.5% of our total credit portfolio of R$5,471.7 million, compared to provisions of R$81.2 million, or 1.7% of our total credit portfolio of R$3,557.9 million as of December 31, 2010. In addition, we had credit write-offs in 2011 of R$14.3 million (which did not result in additional expenses but reduced the amount of provisions in our balance sheet) coupled with provisions for losses on our off balance credit commitments of R$10.5 million in 2011.

Other Operating Income (Expenses)

Our other operating income (expenses) is primarily influenced by revenues from services rendered, compensation, headcount, levels of business activity and retention payment obligations.

The table below shows the composition of our other operating income (expenses) for the periods indicated:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Income from services rendered	819.6	1,115.3	2,003.5
Personnel expenses	(278.1)	(395.4)	(606.0)
Other administrative expenses	(306.1)	(382.6)	(666.9)
Tax charges	(196.3)	(290.5)	(286.6)
Equity in the earnings of associates	–	(3.5)	240.3
Other operating income	178.5	167.8	153.4
Other operating expenses	(60.8)	(103.5)	(594.9)
Other operating income (expenses)	156.8	107.7	242.9

The table below shows the composition of our income from services rendered for the periods indicated:

	For the year ended December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Management fee and performance premiums for investment funds and portfolio	354.1	465.7	1,111.5
Brokerage	105.8	117.8	168.0
Underwriting and advisory fees	336.2	459.2	586.4
Other services[(1)]	23.5	72.6	137.7
Income from services rendered	819.6	1,115.3	2,003.5

(1) Other services include fees and commissions in connection with credit instruments issued by Banco BTG Pactual, such as loans and letters of credit guarantees, among others.

Our personnel expenses consist of salaries, benefits (such as health insurance) and other payments made to our personnel, including retention expenses. These retention expenses consisted of (i) during 2009, payments made by us to our former partners and key employees who continued their involvement with Banco BTG Pactual after its acquisition by UBS AG in 2006, and (ii) after January 2010, expenses incurred by us in connection with payments to be made in 2012 to key employees who continued their involvement with us following the acquisition of Banco BTG Pactual by our controlling shareholder from UBS AG.

Our other administrative expenses include costs for occupancy and rental, communications, information services, professional fees, depreciation and other general operating expenses.

Our tax charges other than income taxes include several different taxes. The income generated by Brazilian entities from financial transactions are subject to the Contribution for the Social Integration Program (*Programa de Integração Social*), or PIS, and the Contribution for Social Security (*Contribuição para o Financiamento da Seguridade Social*), or COFINS. In addition, our income generated from services rendered that do not involve financial transactions are subject to the payment of the Tax on Services of Any Nature (*Imposto Sobre Serviços de Qualquer Natureza*), or ISS, at rates that vary in each of the municipalities in which our Brazilian offices are located from 2% to 5%. The current tax rates of PIS and COFINS applicable to us are, respectively, 0.65% and 4.0% for Brazilian entities in our group that are deemed financial institutions and 1.65% and 7.6% for Brazilian entities in our group that are deemed non-financial institutions.

Our equity pick-up from subsidiaries consist of our proportional share of net income or net losses from (i) companies in which we hold a minority or a co-controlling equity stake, including Banco PanAmericano (which we acquired in May 2011), and (ii) any company in which we may have held interests, but had the intent to sell such interest within a one-year period from the applicable date to which the balance sheet relates, which was the case with respect to BTG Alpha, the controlling shareholder of Brazil Pharma, which completed its initial public offering on June 22, 2011.

Our other operating income is composed primarily of revenues generated by gains on exchange rate variations on certain investments and receivables denominated in U.S. dollars, reversal of provisions in general, including contingencies, and in past years, provision for retention plan expenses. The retention plan was established to the benefit of certain employees of Banco BTG Pactual, many of them also partners, in connection with its acquisition by UBS AG in 2006. In 2009, following the acquisition of Banco UBS Pactual by our controlling shareholder, a significant portion of the payments still due under our retention plan were ultimately waived by the majority of the UBS AG employees who were beneficiaries of the plan and became our Partners as a result of the acquisition. This waiver caused all such retention expenses to be cancelled. The remaining portion of the retention plan expired in February 2012, and BTG Pactual has no plans to reinstitute other retention plans going forward.

Our other operating expenses are primarily composed of (i) the effect of exchange rate variations on certain of our assets and liabilities denominated in U.S. dollars, including management and performance fees that we receive from our funds abroad, (ii) goodwill amortization, (iii) the expenses incurred in connection with our decision to take advantage of the federal tax amnesty program created pursuant to Law No. 11,941/2009, and (iv) interest charges in connection with our acquisition of certain investments.

<u>2012 versus 2011</u>

Our other operating income (expenses) increased 125.5%, from R$107.7 million in 2011 to R$242.9 million in 2012. This increase was due to the following factors:

Income from services rendered. The table below shows the composition of our income from services rendered for the periods indicated:

	For the year ended December 31,				
	2011	% of total	2012	% of total	Variation(%)
	(in R$millions, except percentages)				
Management fee and performance premium for investment funds and portfolio	465.7	41.7%	1,111.5	55.5%	138.7%
Brokerage	117.8	10.6%	168.0	8.4%	42.6%
Underwriting and advisory fees	459.2	41.2%	586.4	29.3%	27.7%
Other services[1]	72.6	6.5%	137.7	6.8%	89.7%
Income from services rendered	1,115.3	100.0%	2,003.5	100.0%	79.6%

(1) Other services include fees and commissions in connection with credit instruments issued by Banco BTG Pactual, such as loans and letters of credit guarantees, among others.

Our income from services rendered increased 79.6%, from R$1,115.3 million in 2011 to R$2,003.5 million in 2012, due to the following factors:

Management fee and performance premium for investment funds and portfolio. Our income from management fee and performance premium for investment funds and portfolio increased 138.7%, from R$465.7 million in 2011 to R$1,111.5 million in 2012. This increase was mainly due to: (i) an increase of 42.1% in our AUM and AUA, from R$120.1 billion in 2011 to R$170.7 billion in 2012 (which includes R$10.6 billion of AUM and AUA from the acquisition of Brazilian Capital in August 2012 and R$8.5 billion from the acquisition of Celfin in November 2012) and the resulting positive impact on management fees and (ii) an increase in performance fees received from our funds, particularly global hedge funds, due to strong performance as a result of improved market conditions.

Brokerage. Our brokerage fees increased 42.6%, from R$117.8 million in 2011 to R$168.0 million in 2012. This increase reflects mainly the overall growth of financial transactions in which we acted as brokers.

Underwriting and advisory fees. Our revenues from underwriting and advisory fees increased 27.7%, from R$459.2 million in 2011 to R$586.4 million in 2012. This increase was mainly due to (i) an increase in M&A advisory fees in 2012 compared to 2011 as a result of both an increase in the value of M&A transactions in which we participated, from R$45.0 billion in 2011 to R$51.7 billion in 2012, and the receipt of certain advisory fees in 2012 for material transactions that were announced in 2011 (as such fees are generally payable at settlement), (ii) an increase in the value of debt offerings in which we participated as underwriters, from R$7.2 billion in 2011 to R$11.2 billion in 2012, as a result of strong levels of activity in the Brazilian debt market, as well as transactions that recorded higher than average fees and (iii) increased revenues from equity offerings, mainly due to an increase in the number and value of transactions in which we acted as underwriters, from R$3.3 billion in 2011 to R$3.6 billion in 2012.

Other services. Our revenue from other services increased 89.7%, from R$72.6 million in 2011 to R$137.7 million in 2012. This increase was mainly due to higher revenues from commissions related to credit transactions and credit facilities, including letters of credit, mainly as a result of our strategy to grow our loan portfolio.

Personnel expenses. Our personnel expenses increased 53.3% from R$395.4 million in 2011 to R$606.0 million in 2012. This increase in our personnel expenses was due to (i) two annual salary adjustments of 9.0% and 7.5% in October 2011 and September 2012, respectively, benefitting our employees pursuant to the terms of union agreements that are adjusted annually, (ii) an increase in personnel expenses for our statutory officers and (iii) an increase in the number of employees, from 1,311 in 2011 to 2,195 in 2012. This increase in the number of employees is associated with the organic growth of our business as well as from the addition of 599 new employees as a result of our acquisition of Celfin in November 2012.

Other administrative expenses. Our other administrative expenses increased 74.3%, from R$382.6 million in 2011 to R$666.9 million in 2012. This increase was mainly due to (i) expenses incurred in 2012 with respect to our initial public offering and bond issuances, (ii) higher expenses related to our new office in São Paulo, particularly rental expenses during the refurbishment period, and (iii) higher information technology consulting fees in connection with software developments for our operational platform.

Tax charges. Our tax charges remained relatively stable, from R$290.5 million in 2011 to R$286.6 million in 2012. While there was an increase in our revenues resulting from its overall business growth, our taxes charges remained relatively stable, mainly as a result of (i) a portion of that increase was generated by Banco BTG Pactual’s Cayman Islands Branch and BTGI (both of which revenues are not subject to tax expenses), and (ii) from higher gains from our equity in the earnings of associates and jointly controlled entities, which are also not subject to tax charges. Most of our tax charges are result from revenues generated in Brazil.

Equity in the earnings of associates and jointly controlled entities. Our equity in the earnings of associates and jointly controlled entities varied from a loss of R$3.5 million in 2011 to a gain of R$240.3 million in 2012. In 2012, our equity in the earnings of associates and jointly controlled entities was mainly attributable to its proportional share of net income of (i) BR Properties, in the amount of R$383.0 million, net of the provision for devaluation in the amount of R$402.0 million, (ii) Warehouse 1 Empreendimentos Imobiliários S.A., in the amount of R$7.0 million, net of a loss related to goodwill impairment in the amount of R$14.1 million and (iii) One Properties, in the amount of R$15.4 million. Such equity in the earnings of associates and jointly controlled entities was partially offset by our proportional share of net losses from Banco PanAmericano in the amount of R$160.4 million in 2012. In 2011, our equity in the earnings of associates and jointly controlled entities was mainly attributable to our proportional share of (i) net loss of Banco PanAmericano in the amount of R$27.2 million and (ii) net income of One Properties, in the amount of R$22.6 million.

Other operating income. Our other operating income decreased 8.6%, from R$167.8 million in 2011 to R$153.4 million in 2012. This decrease was mainly due to higher income recognized in 2011 resulting mainly from (i) gains on exchange rate variations on certain investments and receivables denominated in U.S. dollars, (ii) reversal of bonuses and (iii) the reversal of provisions for labor costs as a result of favorable evaluations of our outside legal advisors, partially offset by higher income on adjustment to inflation of court deposits and others.

Other operating expenses. Our other operating expenses increased 574.8%, from R$103.5 million in 2011 to R$594.9 million in 2012 mainly due to (i) R$394.3 million in goodwill amortization expenses incurred in 2012, which include (a) R$69.5 million in amortization expenses from the acquisition of Coomex, which expenses were greater than in 2011 as a result of profits generated by Coomex since our acquisition, (b) R$247.9 million in goodwill amortization from the acquisition of BFRE, related to profitability and recognition of deferred income tax asset due to a corporate restructuring, and (c) R$77.0 million in extraordinary goodwill amortization, resulting from impairment on other investments; (ii) interest charges of R$54.1 million incurred in 2012 compared to R$33.4 million in 2011, in connection with our acquisition of certain investments, primarily Banco PanAmericano, which amount shall become payable on July 31, 2028; and (iii) other expense increases such as expenses from our broker dealer operations, including execution and commission fees.

<u>2011 versus 2010</u>

Our other operating income (expenses) decreased 51.5%, from R$221.9 million in 2010 to R$107.7 million in 2011. This increase was due to the following factors:

Income from services rendered. The table below shows the composition of our income from services rendered for the periods indicated:

	For the year ended December 31,				
	2010	% of total	2011	% of total	Variation(%)
	(in R$millions, except percentages)				
Management fee and performance premium for investment funds and portfolio	354.1	43.2%	465.7	41.7%	31.5%
Brokerage	105.8	12.9%	117.8	10.6%	11.3%
Underwriting and advisory fees	336.3	41.0%	459.2	41.2%	36.5%
Other services[(1)]	23.5	2.9%	72.6	6.5%	208.9%
Income from services rendered	819.7	100.0%	1,115.3	100.0%	36.1%

(1) Other services include fees and commissions in connection with credit instruments issued by Banco BTG Pactual, such as loans and letters of credit guarantees, among others.

Our income from services rendered increased 36.1%, from R$819.7 million in 2010 to R$1,115.3 million in 2011. This increase was due to the following factors:

Management fee and performance bonuses for investment funds and portfolio. Our income from management fees and performance bonuses for investment funds and portfolio increased 31.5%, from R$354.1 million in 2010 to R$465.7 million in 2011. This increase was mainly due to an increase in gross management and performance fees received from our funds, particularly our specialist funds (i.e., private equity and real estate funds) and our Brazil fixed income and equities funds, all of which benefited from a growth of AUM and WUM coupled with increased returns in 2011. For additional information, see "—BTG Pactual's Unaudited Adjusted Income Statement—2011 versus 2010—Asset Management" and "—BTG Pactual's Unaudited Adjusted Income Statement—2011 versus 2010—Wealth Management."

Brokerage. Our stock exchange brokerage fees increased 11.3%, from R$105.8 million in 2010 to R$117.8 million in 2011. This increase reflects the overall increase in volume of financial transactions in which we acted as brokers and the opening of new accounts during 2011 following the creation of our U.S. broker dealer in New York. While the average daily trading volume (ADTV) of BOVESPA remained stable at approximately R$6.5 billion in 2010 and 2011, the average daily contracts volume of BM&F increased 7.8% from R$2.5 billion in 2010 to R$2.7 billion in 2011.

Underwriting and advisory fees. Our revenues from underwriting and advisory fees increased 36.5%, from R$336.3 million in 2010 to R$459.2 million in 2011. The increase in revenues was mainly due to (i) increased revenues from M&A advisory services fees in connection with material transactions announced in 2010 that closed in the first quarter of 2011 (as such fees are generally payable at closing), (ii) higher than average fees due to a positive fee environment, and (iii) an increase in the aggregate value of debt offerings in which we acted as underwriters from R$6.1 billion in 2010 to R$10.5 billion in 2011. This revenue increase was partially offset by a decrease in the aggregate value of equity offerings in which we acted as underwriters as a result of adverse market conditions, from R$143.1 billion in 2010 to R$11.4 billion in 2011. The aggregate value of equity offerings in 2010, however, includes the Petrobras equity offering which represented a very significant part of the equity issuance in 2010 and paid lower than average fees. For additional information, see "BTG Pactual's Unaudited Adjusted Income Statement—2011 versus 2010—Investment Banking."

Other services. Our revenue from other services increased 208.9%, from R$23.5 million in 2010 to R$72.6 million in 2011 due to higher revenues from commissions related to credit transactions and credit facilities, including letters of credit, with our clients in 2011 as compared to 2010, mainly as a result of our strategy to grow our credit portfolio.

Personnel expenses. Our personnel expenses increased 42.2%, from R$278.1 million in 2010, of which R$65.7 million corresponded to retention expenses, to R$395.4 million in 2011, of which R$40.9 million corresponded to retention expenses. The increase in our personnel expenses was due to an average annual salary adjustment for inflation of 9.0% in 2011, coupled with an increase in the number of employees, from 1,055 as of December 31, 2010 to 1,255 as of December 31, 2011.

Other administrative expenses. Our other administrative expenses increased 24.9%, from R$306.1 million in 2010 to R$382.4 million in 2011. This increase was mainly due to expenses, incurred only in 2011, of R$21.2 million for legal expenses in connection with the private placement to the Consortium and Participating Partners. Additionally, we experienced an increase in 2011 as compared to 2010 of (i) information technology consulting fees in connection with software developments for our operational platform in the amount of R$11.2 million, (ii) R$12.6 million in expenses for travel, presentations and conferences and (iii) R$13.1 million in information technology other than consulting fees related to such software developments.

Tax charges other than income taxes. Our tax charges other than income taxes increased 48.0%, from R$196.3 million in 2010 to R$290.5 million in 2011. Most of our tax charges are applicable to revenues generated in Brazil. The increase in our tax charges was mainly due to a 22.6% increase in our revenues subject to tax charges, resulting from our overall business growth and, to a lesser extent, from the decrease of revenues generated by BTGI and our Cayman Islands Branch (which are not taxable in Brazil) as a percentage of our total revenues.

Equity pick-up from subsidiaries. Our equity pick-up from subsidiaries totaled a loss of R$3.5 million in 2011. In 2011, our equity pick-up from subsidiaries was mainly attributable to our proportional share of the net losses incurred at Banco PanAmericano of R$27.2 million, which was partially offset by our equity pick-up of R$22.6 million from our equity interest in One Properties. In 2010, we did not have any equity pick-up from subsidiaries.

Other operating income. Our other operating income decreased 6.2%, from R$178.5 million in 2010 to R$167.8 million in 2011. In 2010, our other operating income was mainly composed of (i) the reversal of contingency provisions of R$99.0 million due to the favorable outcome of commercial claims to which we were a party, and (ii) the reversal of provisions for labor costs of R$31.7 million as a result of favorable evaluations of our outside legal advisors. In 2011, the other operating income was mainly composed of (i) R$70.8 million due to a monetary restatement of legal deposits, (ii) gains on exchange rate variations on certain investments and receivables denominated in U.S. dollars in the amount of R$25.1 million, and (iii) reversal of bonuses in the amount of R$20.6 million.

Other operating expenses. Our other operating expenses increased 70.2%, from R$60.8 million in 2010 to $103.5 million in 2011. This increase was mainly due to (i) the amortization of goodwill from our acquisition of Coomex, in October 2010, which, since such date, has been amortized on a linear basis over a total of 60 months, generating amortization charges of R$8.4 million in 2010 and R$31.8 million in 2011. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Coomex Empresa Operadora do Mercado Energético Ltda.;" and (ii) interest charges of R$30.9 million on R$450.0 million owed in connection with the acquisition of Banco PanAmericano, which is payable until July 31, 2018. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE."

Operating Income

As a result of the foregoing, our operating income (i) increased 129.6%, from R$2,157.5 million in 2011 to R$4,954.4 million in 2012; and (ii) increased 20.9%, from R$1,783.8 million in 2010 to R$2,157.5 million in 2011.

Non-operating Income (Expenses)

Our non-operating income (expenses) consists of revenues (expenses) resulting from non-recurring items or transactions not related to our core business.

2012 versus 2011

Our non-operating income (expenses) varied from a gain of R$9.2 million in 2011 to a loss of R$12.0 million in 2012. Our non-operating income in 2011 was primarily composed of gains from the sale of our remaining ownership interests in CETIP in April 2011 in the amount of R$8.1 million. Our non-operating expense in 2012 consisted of losses from the derecognition of property and equipment in use in the amount of R$26.8 million, which was partially offset by gains from the sale of a portion of our equity interest in BR Properties in the amount of R$14.8 million.

2011 versus 2010

Our non-operating income (expenses) decreased from an expense of R$24.8 million in 2010 to a gain of R$9.2 million in 2011. In 2010, our non-operating income (expenses) consisted mainly of expenses of R$23.2 million in connection with a termination fee paid by BTGI upon the extinguishment of a contract to which it was a party, while in 2011 our non-operating income consisted mainly of gains related to the sale of our remaining ownership interests in CETIP in the amount of R$8.1 million.

Income Before Taxation and Profit Sharing

As a result of the foregoing, our income before taxes and profit-sharing (i) increased 128.1%, from R$2,166.7 million in 2011 to R$4,942.4 million in 2012; and (ii) increased 23.2%, from R$1,759.0 million in 2010 to R$2,166.7 million in 2011.

Income Tax and Social Contribution

Our income and social contribution taxes in Brazil are recorded under current or deferred liabilities. Our effective rate was 31.0%, 16.3% and 20.4% (excluding deferred tax assets from goodwill) in 2010, 2011 and 2012, respectively. See "—Critical Accounting Policies—Deferred Income Tax and Social Contribution."

2012 versus 2011

Our income tax and social contribution in Brazil varied from income of R$200.4 million in 2011 to an expense of R$727.5 million in 2012. This variation was mainly due to the recognition of tax credits of R$481.4 million in December 2011, resulting from our merger with the investment vehicle used by the members of the Consortium to acquire our equity interests in December 2010 (see "—Critical Accounting Policies—Deferred Income Tax and Social Contribution"). This increase was partially offset by (i) a 38.0% increase of interest on equity (which is a substitute dividend payment that can be treated as a tax deductible expense), from R$319.0 million in 2011 to R$440.0 million in 2012, and (ii) increased gains on equity in its associates, which are not subject to income tax charges.

2011 versus 2010

Our income and social contribution taxes expenses in Brazil varied from an expense of R$380.7 million in 2010 to a revenue of R$200.4 million in 2011. This variation was mainly due the recognition of tax credits of R$481.4 million in December 2011 resulting from our merger with the investment vehicle used by the members of the Consortium to acquire 18.65% of our equity interests in December 2010. Such entity had previously recorded goodwill of R$1,203.4 million in connection with such acquisition.

Statutory Profit Sharing

Statutory profit or gain sharing consists mainly of the discretionary cash bonuses that we distribute to all of our employees, and that are calculated as a percentage of our annual revenues, net of costs and expenses incurred. Our bonus expenses are directly correlated to, among other factors, our overall performance, the performance of our individual business units and our cost efficiency.

2012 versus 2011

Our statutory profit or gain sharing increased 113.0%, from R$440.4 million in 2011 to R$938.2 million in 2012. As explained above, our bonus pool is calculated as a percentage of annual revenues, net of costs and expenses and, accordingly, this increase is mainly due to the fact that our revenue growth outpaced the growth in expenses for the period.

2011 versus 2010

Our statutory profit or gain sharing increased 75.4%, from R$251.1 million in 2010 to R$440.4 million in 2011. As explained above, our bonus pool is calculated as a percentage of annual revenues, net of costs and expenses and, accordingly, this increase is mainly due to the fact that our revenues growth outpaced the growth in our expenses in the period.

Non-Controlling Interest

Our non-controlling interest consists mainly of the equity not attributable, directly or indirectly, to Banco BTG Pactual, from its subsidiaries BW Properties S.A. and Recovery do Brasil Consultoria S.A. and certain investment funds consolidated into its financial statements, including FIP Saúde and FIDC NPL.

2012 versus 2011

Our non-controlling interest totaled R$21.1 million in 2012, mainly attributable to Recovery do Brasil Consultoria S.A, BW Properties S.A. and results from investments funds consolidated into its financial statements, and R$5.0 million in 2011 attributable to BW Properties S.A. and Recovery do Brasil Consultoria S.A.

2011 versus 2010

Our non-controlling interest totaled R$5.0 million in 2011, attributable to BW Properties S.A. and Recovery do Brasil Consultoria S.A. There was no non-controlling interest in 2010.

Net Income

As a result of the foregoing, our net income (i) increased 69.4% from R$1,921.7 million in 2011 to R$3,255.6 million in 2012 and (ii) increased 70.5% from R$1,127.2 million in 2010 to R$1,921.7 million in 2011.

Interest on Equity

Interest on equity is a substitute dividend payment, which can be treated as a tax deductible expense. The amount of the tax deduction for any year is limited to the greater of (i) 50% of our net income (after the deduction of any allowances for social contribution tax but before taking into account allowances for income tax and interest on equity) for the period in respect of which the payment is made and (ii) 50% of our retained profits and profit reserve at the beginning of the relevant period. The rate applied in calculating interest on equity cannot exceed the *pro rata* daily variation of the Brazil Long Term Interest Rate, or "TJLP." Any payments of interests on equity to the shareholders, whether Brazilian residents or not, are subject to a withholding income tax of 15%, provided that such rate shall be 25% if the beneficiary is a resident of a tax haven (i.e., a country with no income tax or which its maximum percentage is fixed below 20%, or if the local applicable law imposes restrictions to the disclosure of the shareholders composition or the owners of the investment). The amount of interest on our shareholders' equity is calculated to minimize income tax expenses, by substituting non-tax-deductible dividends payment for tax-deductible interest on equity payments. Although interest on equity reduces income taxes, it is not recorded as an expense and, therefore, is not computed as part of our net income. Interest on equity is presented on our income statement below the net income line item. As a result of such substitution, we are able to reduce income tax and social contribution expense for the year by decreasing taxable income.

Our interest on equity totaled R$440.0 million in 2012, R$319.0 million in 2011 and R$15.4 million in 2010. Our interest on equity is presented in our statement of shareholders' equity and is reflected in our income statement, both of which are included in the financial statements included in this Prospectus.

BTG Pactual's Unaudited Adjusted Income Statement

The following table sets forth an overview of BTG Pactual's adjusted income statement, which was not prepared in accordance with Brazilian GAAP and materially differs from BTGI's and Banco BTG Pactual's income statement:

	For the year ended December 31,		
	2010	**2011**	**2012**
	(Unaudited - in R$millions)		
Investment banking	358.3	376.7	448.0
Corporate lending	251.1	366.4	564.6
Sales and trading	658.6	1,012.2	1,517.3
Asset management	374.5	507.1	1,190.2
Wealth management	106.8	149.7	201.7
PanAmericano	–	(52.0)	(244.5)
Principal investments	484.0	181.6	2,338.2
Interest and other	191.4	659.3	802.0
Total revenues, net of direct expenses allocation	**2,424.7**	**3,201.0**	**6,817.6**
Bonus	(257.3)	(521.0)	(1,168.6)
Retention expenses	(65.7)	(40.3)	(5.9)
Salaries and benefits	(192.2)	(236.4)	(326.0)
Administrative and others	(259.1)	(327.2)	(539.5)
Goodwill amortization	(8.4)	(31.2)	(467.4)
Tax charges, other than income tax	(133.9)	(181.2)	(241.4)
Total operating expenses	**(916.6)**	**(1,337.3)**	**(2,748.8)**
Income before taxes	**1,508.1**	**1,863.7**	**4,067.7**
Income tax and social contribution revenue (expense)	(381.0)	57.9	812.2
Net income	**1,127.2**	**1,921.7**	**3,255.6**

BTG Pactual's revenues from investment banking activities consist of financial advisory and underwriting fees directly based on the number and size of the transactions in which Banco BTG Pactual participates.

BTG Pactual's revenues from corporate lending consist of interest Banco BTG Pactual charges on its loans net of (i) provisions for loan losses and (ii) the opportunity cost for funding the corporate lending inventory.

BTG Pactual's revenues from sales and trading include revenues from FICC sales and trading and from equity sales and trading. Banco BTG Pactual's FICC sales and trading revenues consist mainly of (i) fees and commissions charged for products and services that are linked to fixed income, currency and commodities instruments and securities that it offers to its clients, and (ii) gains or losses from its trading in such instruments and securities, which are net of the opportunity cost for funding the sales and trading inventory. Banco BTG Pactual’s revenues from equity sales and trading consist mainly of fees and commissions charged for products and services linked to equity securities that it offers to its clients, as well as gains or losses from its trading in these securities, which are net of the cost for funding the sales and trading inventory.

BTG Pactual’s revenues from asset management consist primarily of management and performance fees received by Banco BTG Pactual. Management fees are generally calculated as a percentage of asset value (that may vary by asset class), committed capital, invested capital or total gross acquisition cost with respect to the funds and investment vehicles that it manages. Asset value is affected by investment performance, inflows and redemptions. In some cases, Banco BTG Pactual may also receive performance fees when returns exceed specified benchmarks or other performance targets; however, these performance fees are only recognized when the specific performance period ends and is no longer subject to adjustment. Substantially all AUM are marked-to-market on a daily basis. In addition, Banco BTG Pactual receives fixed or variable fees for fund administration services to third parties.

BTG Pactual’s revenues from wealth management consist of a portion of management and performance fees originated by Banco BTG Pactual’s private wealth clients as well as spreads and commissions with respect to brokerage and other FICC and equities products it sells to its private wealth clients.

Revenues from PanAmericano consist of the equity pick-up from Banco BTG Pactual’s investment stake of 37.4% in Banco PanAmericano. Banco PanAmericano generates revenues from its core commercial banking activities in four areas of expertise. In the consumer finance area, Banco PanAmericano generates revenues from a credit portfolio composed mainly of vehicle financing, consumer loans, personal loans, payroll deduction loans and credit cards (including prepaid credit cards and regular credit cards). In the corporate banking area, revenues arise from a portfolio of loans and commercial leasing transactions to middle-sized companies, while revenues in the real estate financing area derive from the portfolio of residential and commercial mortgage financing instruments. In the insurance area, revenues are derived from the insurance policies covering payment capacity of individual clients, including in the event of unemployment and personal accidents, and life insurance.

BTG Pactual’s revenues from principal investments are composed of revenues from the global markets and merchant banking and real estate segments. Revenues from global markets consist of the returns of BTG Pactual’s proprietary investments, made primarily through us, in a diversified range of financial instruments across multiple asset classes and geographic regions. The investment teams at Banco BTG Pactual responsible for such investments are located in São Paulo, Rio de Janeiro, New York, London and Hong Kong. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes, including fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities and mortgages. Financial instruments held under this category are marked-to-market and generate gains or losses on a daily basis. Revenues from merchant banking investments consist mainly of (i) the returns of our proprietary stake held in FIP Principal Investments and FIP Infrastructure, two private equity funds managed by Banco BTG Pactual through its asset management unit and (ii) capital gains on the sale, dividends received, or equity pick-up from BTG Pactual’s shares of the profits, of its stakes held directly or through investment vehicles in the portfolio companies in its merchant banking portfolio (none of which are consolidated in BTG Pactual Participations’ or Banco BTG Pactual’s financial statements). Revenues from real estate investments consist mainly of returns of Banco BTG Pactual’s investments in real estate funds, and of capital gains on the sale, and dividends received or equity pick-up from its shares of the profits, of its proprietary, non-controlling stakes held in the investment vehicles in its real estate portfolio. We also had merchant banking investments that we sold in March 31, 2011. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divestiture of BTG Alpha" above. As a result, revenues from principal investments also include revenues that BTG Pactual received as a result of the Merchant Banking Equity Kicker (see "Related Party Transactions—Transfer of BTG Alpha and BTGI Loan to the Merchant Banking Partnership"). Revenues from BTG Pactual's principal investments are presented net of funding costs, including the cost of funding its net equity, and of trading losses, including losses from derivatives and from foreign exchange variation. Revenues are also reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including to Banco BTG Pactual.

BTG Pactual revenues recorded under "interest and other" include the interest on its capital, which is the internal opportunity cost for remunerating its net equity, typically determined based on the CDI rate. The interest on BTG Pactual's capital, credited to "interest and other," is in turn deducted as a funding cost directly from its business units' revenues. The units primarily affected by such deductions are those which carry larger inventories of financial instruments, i.e., sales and trading, commercial lending and principal investments units, as their results are presented in BTG Pactual's unaudited combined revenues breakdown by business unit net of the interest on its capital, as well as all other costs for obtaining external funding to finance its portfolios. BTG Pactual believes that its discipline of charging internal and external funding costs directly to these business units is one of the most critical components of its risk and liquidity management disciplines, as it allows BTG Pactual to more appropriately monitor and evaluate the financial performance of its various units. Interest and other revenues also include gains and losses resulting from the exchange rate variation, and the corresponding results from hedging (as applicable), of certain assets and liabilities denominated in currencies other than the *real*, including BTG Pactual's investments in foreign subsidiaries.

For additional information on the revenues or expenses recorded in BTG Pactual's adjusted income statement, see "—BTG Pactual's Unaudited Adjusted Income Statement."

2012 versus 2011

The following table sets forth BTG Pactual's revenue composition and evolution by business unit for the periods indicated:

	For the year ended December 31,				
	2011	**% of total**	**2012**	**% of total**	**Variation (%)**
	(Unaudited - in R$millions, except percentages)				
Investment banking	376.7	11.8%	448.0	6.6%	18.9%
Corporate lending	366.4	11.4%	564.6	8.3%	54.1%
Sales and trading	1,012.2	31.6%	1,517.3	22.3%	49.9%
Asset management	507.1	15.8%	1,190.2	17.5%	134.7%
Wealth management	149.7	4.7%	201.7	3.0%	34.7%
PanAmericano	(52.0)	(1.6%)	(244.5)	(3.6%)	370.2%
Principal investments	181.6	5.7%	2,338.2	34.3%	1,187.6%
Interest and other	659.3	20.6%	802.0	11.8%	21.6%
Total revenues	3,201.0	100.0%	6,817.6	100.0%	113.0%

BTG Pactual's total revenues, net of expenses allocation, increased 113.0%, from R$3,201.0 million in 2011 to R$6,817.6 million in 2012. This increase was mainly due to the following factors:

Investment Banking. BTG Pactual's revenues from investment banking activities increased 18.9%, from R$376.7 million in 2011 to R$448.0 million in 2012.

The increase in revenues from investment banking was mainly due to (i) a 14.9% increase in revenues from M&A advisory services as a result of an increase in the value of the transactions in which Banco BTG Pactual participated, from R$45.0 billion in 2011 to R$51.7 billion in 2012, plus the receipt of fees in 2012 for material transactions that were announced in 2011 (as such fees are generally payable at settlement), (ii) a

135.9% increase in revenues from debt offerings in which Banco BTG Pactual participated as underwriter due to an increase in value of transactions in which it participated, from R$7.2 billion in 2011 to R$11.2 billion in 2012, as a result of strong levels of activity in the Brazilian debt market, as well as transactions that recorded higher than average fees and (iii) a 24.7% increase in revenues from equity offerings, mainly due to an increase in the number and value of transactions in which we acted as underwriters, from R$3.3 billion in 2011 to R$3.6 in 2012.

The following table provides a breakdown of BTG Pactual's investment banking activities for the periods indicated:

	For the year ended December 31,	
	2011	**2012**
	(number of transactions)[1]	
Equity capital markets	12	16
Debt capital markets	44	48
M&A	51	74
Total number of transactions	**107**	**138**
	(in R$billions)[1]	
Equity capital markets	3.3	3.6
Debt capital markets	7.2	11.2
M&A[2]	45.0	51.7
Total	**55.5**	**66.5**

Sources: CVM, ANBIMA, Thomson Financial and Banco BTG Pactual

(1) While equity and debt capital markets figures consider closed transactions, M&A figures represents announced deals, which typically generate fees upon their subsequent closing.

(2) M&A market data for previous quarters may vary because: (i) deal inclusions might occur with delay, in any moment of the year, (ii) canceled transactions will be withdrawn from the rank, (iii) transaction value revision and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

Corporate Lending. BTG Pactual's revenues from corporate lending increased 54.1%, from R$366.4 million in 2011 to R$564.6 million in 2012. This increase was mainly due to (i) an increase of 82.4% in the average balance of its broader credit portfolio composed mainly of loans, receivables, advances in foreign exchange contracts, marketable securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), from an average balance of R$15,997.6 million in 2011 to an average balance of R$23,604 million in 2012, which was partially offset by an increase in allowance for loan losses. In addition, revenues from corporate lending were positively impacted in 2011 by gains from by gains from a sale of a mortgage credit portfolio and a nonperforming loan portfolio.

Sales and Trading. BTG Pactual's revenues from sales and trading increased 49.9%, from R$1,012.2 million in 2011 to R$1,517.3 million in 2012. This increase was mainly due to (i) higher revenues from rates activities, mainly due to increased trading volume with clients and market counterparties as well as the convergence of interest rates in Brazil and the resulting positive impact on BTG Pactual's inventory of assets, (ii) strong levels of activity from Banco BTG Pactual's foreign exchange desk, which led to increased revenues, (iii) higher revenues from equities trading following the recovery of the BM&FBOVESPA index, which increased 7.4% in 2012 compared to a decrease of 24.5% in 2011 and (iv) higher revenues from brokerage fees and equity-linked derivative instruments. These gains were partially offset by lower revenues from Banco BTG Pactual's energy trading desk.

Asset Management. BTG Pactual's revenues from its asset management operations increased 134.7%, from R$507.1 million in 2011 to R$1,190.2 million in 2012. This increase was mainly due to (i) a 42.0% increase in Banco BTG Pactual's combined AUM and AUA, from R$120.1 billion in 2011 to R$170.7 billion in 2012 (which includes R$10.6 billion of AUM and AUA from Banco BTG Pactual's acquisition of Brazilian Capital in August 2012 and R$8.5 billion from Banco BTG Pactual's acquisition of Celfin in November 2012) and the resulting positive impact on management fees and (ii) an increase in performance fees, particularly from Banco BTG Pactual's global hedge funds. In 2011, net inflows for BTG Pactual's asset management unit amounted to R$17.8 billion compared to R$18.4 billion in 2012.

Wealth Management. BTG Pactual's revenues from wealth management operations increased 34.7%, from R$149.7 million in 2011 to R$201.7 million in 2012. This increase was mainly due to (i) a 60% growth in wealth under management, from R$38.9 billion as of December 31, 2011, with net inflow of R$7.9 billion, to R$62.2 billion as of December 31, 2012 (which includes R$11.5 billion wealth under management from Banco BTG Pactual's Celfin acquisition in November), with a net inflow of R$8.4 billion and (ii) a higher volume of client trading activities, generating higher brokerage and trading spread revenues.

PanAmericano. BTG Pactual recorded a loss of R$244.5 million from Banco BTG Pactual's investment in Banco PanAmericano in 2012 compared to a loss of R$52.0 million in 2011. This variation was mainly due to (i) a R$160.4 million loss from Banco BTG Pactual's equity pick-up of Banco PanAmericano's results in 2012 compared to a loss of R$21.0 million 2011 and (ii) an increase in Banco BTG Pactual's funding expenses charged to this investment, from R$31.2 million in 2011 to R$87.8 million in 2012. In addition, Banco BTG Pactual's funding expenses related to PanAmericano have increased following its R$495.4 million additional capital contribution to Banco PanAmericano 2012. See "—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE."

Principal Investments. BTG Pactual's revenues from principal investments increased 1,187.6%, from R$181.6 million in 2011 to R$2,338.2 million in 2012. This increase was mainly due to (i) higher gains from BTG Pactual's global markets activities, in most of its strategies, which increased from R$48.0 million in 2011 to R$1,859.1 million in 2012, as a result of overall improvements in market conditions (particularly, lower interest rates in the United States, which positively impacted the U.S. mortgage market and the European Central Bank intervention, which benefited BTG Pactual's emerging markets and global credits strategies), (ii) higher gains from our private equity investments, from R$173.0 million in 2011 to R$234.1 million in 2012, mainly due to sale of our investment in STR Projetos e Participações em Recursos Naturais, and (iii) higher gains from Banco BTG Pactual's real estate investments, from a loss of R$39.8 million in 2011 to a gain of R$245.1 million in 2012, mainly due to Banco BTG Pactual's proportional share of the profits of BR Properties in the amount of R$761.7 million, net of the provision for devaluation in the amount of R$406.5 million.

Interest and Other. BTG Pactual's revenues recorded under "interest and other" increased 21.6%, from R$659.3 million in 2011 to R$802.0 million in 2012. This increase was mainly due to (i) an increase in interest on BTG Pactual Participations' and Banco BTG Pactual's own capital, from R$529.2 million in 2011 to R$716.6 million in 2012, resulting from BTG Pactual Participations' and Banco BTG Pactual's capital increase in connection with the IPO of BTG Pactual on April 30, 2012 and (ii) the temporary effect of negative mark-to-market accounting of economic hedging instruments in 2011, compared to a positive mark-to-market in 2012.

The following table shows BTG Pactual's costs and expenses composition and evolution for the periods indicated:

	For the year ended December 31,				
	2011	**% of total**	**2012**	**% of total**	**Variation (%)**
	(Unaudited – in R$millions, except percentages)				
Bonus	(521.0)	39%	(1,168.6)	42.5%	124.3%
Retention expenses	(40.3)	3%	(5.9)	0.20%	(85.3%)
Salaries and benefits	(236.4)	17.7%	(326.0)	11.9%	37.9%
Administrative and others	(327.2)	24.5%	(539.5)	19.6%	64.9%
Goodwill amortization	(31.2)	2.3%	(467.4)	17.0%	1,398.1%
Tax charges, other than income tax	(181.2)	13.5%	(241.4)	8.8%	33.2%
Total operating expenses	**(1,337.3)**	**100.0%**	**(2,748.8)**	**100.0%**	**105.5%**

BTG Pactual's total operating expenses increased 105.5%, from R$1,337.3 million in 2011 to R$2,748.8 million in 2012. This increase was mainly due to the following factors:

Bonus. BTG Pactual's bonus expenses increased 124.3%, from R$521.0 million in 2011 to R$1,168.6 million in 2012. BTG Pactual's bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of BTG Pactual's adjusted net revenue. BTG Pactual's adjusted net revenue consists of its total revenues from business units (excluding interest and other revenues) deducted by salaries and benefits and administrative and other expenses and goodwill amortization. Accordingly, the increase of BTG Pactual's bonus expenses in 2012 as compared with 2011 was due to a higher increase in revenues from business units partially offset by higher expenses.

Retention expenses. BTG Pactual's retention expenses relating to the acquisition of Banco BTG Pactual by the Partners decreased 85.4%, from R$40.3 million in 2011 to R$5.9 million in 2012. This decrease in retention expenses was due to the phasing-out of BTG Pactual's retention program. BTG Pactual's retention program was terminated in February 2012.

Salaries and benefits. BTG Pactual's expenses related to salaries and benefits increased 37.9%, from R$236.4 million in 2011 to R$326.0 million in 2012. This increase was mainly due to (i) two annual salary adjustments of 9.0% and 7.5% in October 2011 and September 2012, respectively, benefitting Banco BTG Pactual's employees pursuant to the terms of union agreements, which are adjusted annually and (ii) an increase in total number of employees, from 1,311 in 2011 to 2,195 in 2012. This increase in the number of employees is associated with the organic growth of our business as well as from the addition of 599 new employees as a result of Banco BTG Pactual's acquisition of Celfin in November 2012.

Administrative and others. BTG Pactual's administrative and others expenses increased 64.9%, from R$327.2 million in 2011 to R$539.5 million in 2012. This increase was mainly due to (i) expenses incurred in 2012 with respect to the initial public offering of BTG Pactual and Banco BTG Pactual's bond issuances, (ii) higher expenses related to BTG Pactual's new office in São Paulo, particularly rental expenses during the refurbishment period, and (iii) higher information technology consulting fees in connection with software developments for BTG Pactual's operational platform.

Goodwill Amortization. BTG Pactual's goodwill amortization expenses increased from R$31.2 million in 2011 to R$467.4 million in 2012. The goodwill amortization expenses in 2012 were mostly associated with the extraordinary amortization of goodwill from Banco BTG Pactual's investments in Brazilian Capital in the amount of R$247.7 million, coupled with the amortization of goodwill in the amount of R$69.5 million related to Banco BTG Pactual's acquisition of Coomex, R$21.6 million related to Banco BTG Pactual's acquisition of BW Properties and R$104.2 million related to BTG Pactual's other investments. In addition, as a result of Banco BTG Pactual's acquisition of Celfin, since November 2012, we amortize goodwill on a monthly basis following such acquisition, totaling R$24.2 million in 2012.

Tax Expenses. BTG Pactual's tax expenses increased 33.2%, from R$181.2 million in 2011 to R$241.4 million in 2012. This increase was mainly due to the 97.0% increase in BTG Pactual's revenues, which was partially offset by changes in BTG Pactual's revenue mix resulting in a lower portion of its revenues being subject to tax charges in 2012. BTG Pactual's tax charges, other than income tax are composed mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes. As a result of the foregoing, BTG Pactual's earnings before taxes increased 118.3%, from R$1,863.7 million in 2011 to R$4,067.7 million in 2012.

Income and Social Contribution Taxes. BTG Pactual's income and social contribution taxes in Brazil correspond to current and deferred taxes. BTG Pactual's income and social contribution taxes in Brazil went from a gain of R$57.9 million in 2011 to an expense of R$812.2 million in 2012. This variation was mainly due to BTG Pactual's recognition of tax credits of R$481.4 million in December 2011, which was partially offset by (i) higher interest on equity (which is a substitute dividend payment that can be treated as a tax deductible expense), from R$319.0 million in 2011 to R$440 million in 2012 and (ii) changes in BTG Pactual's revenue mix, with proportionally more revenues from principal investments in 2012 compared to 2011, which are in part not subject to corporate taxes.

Net Income. As a result of the foregoing, BTG Pactual's net income increased 69.4%, from R$1,921.7 million in 2011 to R$3,255.6 million in 2012, representing a net margin of 60.0% and 47.8% respectively.

2011 versus 2010

The following table shows BTG Pactual's revenue composition and evolution by business unit for the periods indicated:

	For the year ended December 31,				
	2010	**% of total**	**2011**	**% of total**	**Variation (%)**
	(Unaudited - in R$millions, except percentages)				
Investment banking	358.3	14.8%	376.7	11.8%	5.1%
Corporate lending	251.1	10.4%	366.4	11.4%	45.9%
Sales and trading	658.6	27.2%	1,012.2	31.6%	53.7%
Asset management	374.5	15.4%	507.1	15.8%	35.4%
Wealth management	106.8	4.4%	149.7	4.7%	40.2%
PanAmericano	-	0.0%	(52.0)	(1.6%)	n/a
Principal investments	484.0	20.0%	181.6	5.7%	(62.5%)
Interest and other	191.4	7.9%	659.3	20.6%	244.4%
Total revenues	2,424.7	100.0%	3,201.0	100.0%	32.0%

BTG Pactual's total revenues increased 32.0%, from R$2,424.7 million in 2010 to R$3,201.0 million in 2011. This increase was mainly due to the following factors:

Investment Banking. BTG Pactual's revenues from investment banking activities increased 5.1%, from R$358.3 million in 2010 to R$376.7 million in 2011. The increase in revenues was mainly due to (i) increased revenues from M&A advisory services fees in connection with material transactions announced in 2010 that settled in the first quarter of 2011 (as such fees are generally payable at settlement) as well as by transactions that recorded higher than average fees and (ii) an increase in revenues from debt offerings in which BTG Pactual participated as underwriters. This increase was partially offset by a decrease in the value of equity offerings in which BTG Pactual acted as underwriters as a result of adverse market conditions, from R$8.1 billion in 2010 to R$3.3 billion in 2011.

The following table provides a breakdown of BTG Pactual's investment banking activities for the periods indicated:

	For the year ended December 31,	
	2010	**2011**
	(number of transactions)(1)	
Equity capital markets(1)	15	12
Debt capital markets(1)	23	44
M&A(2)	45	51
Total number of transactions	**83**	**107**
	(in R$billions)	
Equity capital markets	8.1	3.3
Debt capital markets	4.1	7.2
M&A(2)	57.9	45.0
Total aggregate value	**70.1**	**55.5**

Sources: Dealogic for equity capital markets and M&A and ANBIMA for debt capital markets

(1) While equity and debt capital markets figures consider closed transactions, M&A figures consider announced deals, which typically generate fees upon their subsequent closing.

(2) M&A market data for previous quarters may vary because: (i) deal inclusions might occur with delay, in any moment of the year, (ii) canceled transactions will be withdrawn from the rank, (iii) transaction value revision and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

Corporate Lending. BTG Pactual's revenues from corporate lending increased 45.9%, from R$251.1 million in 2010 to R$366.4 million in 2011. This increase was mainly due to (i) an increase of 185.3% in the average balance of BTG Pactual's broader credit portfolio composed mainly of loans, receivables, advances in foreign exchange contracts, marketable securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), from an average balance of R$5,019.7 million in 2010 to an average balance of R$15,997.6 million in 2011 and (ii) the US$1.8 billion capitalization completed in December 2010, which increased its leverage capacity. This revenues increase was partially offset by (i) the fact that the majority of BTG Pactual's credit portfolio increase was directed to high grade clients, which usually implies lower yields, and (ii) an increase in allowance for loan losses, due to reversals occurred in 2010 due to the improvement of the global economic scenario after the financial crisis at the end of 2009, particularly in Brazil.

Sales and Trading. BTG Pactual's revenues from sales and trading increased 53.7%, from R$658.6 million in 2010 to R$1,012.2 million in 2011. This increase was mainly due to higher revenues from FICC sales and trading, primarily as a result of an increase in revenues from interest rates and market-making activities. This increase in turn was mainly due to BTG Pactual's strategies intended to anticipate interest rates movements in Brazil. Revenues resulting from BTG Pactual's foreign exchange desk had a slight decline 19.1% in 2011. In addition, BTG Pactual's revenues generated by its energy trading desk increased significantly in 2011 when compared to 2010. In 2010, BTG Pactual only included revenues in this desk from October (after BTG Pactual acquired Coomex) to December. BTG Pactual's revenues in 2011 from its energy trading desk also reflect certain synergies achieved as a result of the integration of this desk with other businesses units within BTG Pactual.

The increase in revenues from FICC sales and trading activities were partially offset by a 96.8% decrease in revenues from BTG Pactual's equity sales and trading. This decrease was mainly due to adverse market conditions fostered by the Eurozone crisis, higher inflation expectations in Brazil and the slowdown of Brazilian economy, which led stock prices to a significant decrease. This scenario of higher volatility in prices reduced investment flows for the equity markets and adversely impacted BTG Pactual's equity cash strategies. Revenues resulting from brokerage fees and equity-linked derivative instruments remained relatively stable in 2010 and 2011.

Asset Management. BTG Pactual’s revenues from its asset management operations increased 35.4%, from R$374.5 million in 2010 to R$507.1 million in 2011. This increase was mainly due to (i) an increase in BTG Pactual’s AUM of 31.3%, from R$91.5 billion as of December 31, 2010, with net annual inflows of R$11.6 billion, to R$120.1 billion as of December 31, 2011, with net annual inflows of R$17.8 billion, resulting in a positive impact in management fees and (ii) an increase in performance fees due to the overall better performance of the funds resulting from a larger AUM and AUA base and stronger growth on more profitable products, particularly in fixed income and equities funds and specialist funds (private equity and real estate funds), due mainly to gains from the IPO of Brazil Pharma and the disposal of a stake in Estapar, two portfolio companies of its private equity business, and (iii) increased CDI interest rates in Brazil rising from an average of 9.71% in 2010 to an average of 11.6% in 2011, according to CETIP, which had a positive impact on this unit.

Wealth Management. BTG Pactual’s revenues from wealth management operations increased 40.2%, from R$106.8 million in 2010 to R$149.7 million in 2011. This increase was mainly due to the 24.6% growth in wealth under management, from R$31.2 billion as of December 31, 2010, with net inflow of R$8.3 billion, to R$38.9 billion as of December 31, 2011, with net inflow of R$8.8 billion. BTG Pactual was also positively impacted by (i) a shift in investment funds products by its clients, with net new money flowing to products with higher return on assets, especially in the offshore space; (ii) concentrated sales of proprietary fixed income domestic securities where the return on assets is also higher for the unit; (iii) higher fees on an increased number and volume of credit transactions; and (iv) higher financial advisory (M&A) fees.

PanAmericano. PanAmericano recorded an expense of approximately R$52.0 million in 2011, which consisted of BTG Pactual’s equity pick-up of Banco PanAmericano and funding expenses allocated to this business unit. BTG Pactual acquired its co-controlling interest in Banco PanAmericano in May 2011, and accordingly had no results from Banco PanAmericano in 2010.

Principal Investments. BTG Pactual’s revenues from principal investments decreased 62.5%, from R$484.0 million in 2010 to R$181.6 million in 2011. This decrease was mainly due to decreases in its global markets business, in which its global credit fixed income positions, mainly composed of corporate bonds and mortgage instruments, underperformed in a period of overall uncertainty in the global macroeconomic scenarios, which lead to higher volatility and overall widening of credit spreads. This decrease was also due to trading losses from BTG Pactual’s Latin American equities portfolio, which went from a profit of R$48.6 million to a loss of R$23.3 million. This decrease was partially offset by revenues of R$173.5 million from BTG Pactual’s merchant banking activities in 2011 primarily due to the sale of the laboratory business owned by its subsidiary BTG Pactual FIP Delta, compared to expenses of R$7.5 million in 2010 resulting from funding costs of its real estate portfolio.

Interest and Other. BTG Pactual’s revenues recorded under "interest and other" increased 244.4%, from R$191.4 million in 2010 to R$659.3 million in 2011. This increase was mainly due to an increase in interest on its own capital from R$208.3 million in 2010 to R$529.3 million in 2011, resulting from its US$1.8 billion capital increase in December 2010. Also, BTG Pactual’s recorded positive results from the implementation in 2011 of the hedging of BTG Pactual’s net investments in foreign subsidiaries denominated in U.S. dollar.

The following table shows BTG Pactual’s costs and expenses composition and evolution for the periods indicated:

	For the year ended December 31,				
	2010	% of total	2011	% of total	Variation (%)
	(Unaudited - in R$millions, except percentages)				
Bonus	(257.3)	28.1%	(521.0)	39.0%	102.5%
Retention expenses	(65.7)	7.2%	(40.3)	3.0%	(38.7)%
Salaries and benefits	(192.2)	21.0%	(236.4)	17.7%	23.0%
Administrative and others	(259.1)	28.3%	(327.2)	24.5%	26.3%
Goodwill amortization	(8.4)	0.9%	(31.2)	2.3%	271.4%
Tax expenses	(133.9)	14.6%	(181.2)	13.5%	35.3%
Total operating expenses	**(916.6)**	**100.0%**	**(1,337.3)**	**100.0%**	**45.9%**

BTG Pactual's total operating expenses increased 45.9%, from R$916.6 million in 2010 to R$1,337.3 million in 2011. This increase was mainly due to the following factors:

Bonus. BTG Pactual's bonus expenses increased 102.5%, from R$257.3 million in 2010 to R$521.0 million in 2011. BTG Pactual's bonuses are determined in accordance with BTG Pactual's profit-sharing program, and are calculated as a percentage of BTG Pactual's adjusted net revenue. BTG Pactual's adjusted net revenue consists of its total revenues from business units (excluding interest and other revenues) deducted by salaries and benefits and administrative and other expenses. Accordingly, the increase of BTG Pactual's bonus expenses in 2011 as compared with 2010 was due to a higher increase in revenues from business units as compared to the increase of the corresponding expenses.

Retention Expenses. BTG Pactual's retention expenses relating to the acquisition of Banco BTG Pactual by the Partners decreased 38.7%, from R$65.7 million in 2010 to R$40.3 million in 2011. This decrease in retention expenses was due to the phasing-out of BTG Pactual's retention program, which ended in 2012.

Salaries and Benefits. BTG Pactual's expenses related to salaries and benefits increased 23.0%, from R$192.2 million in 2010 to R$236.4 million in 2011. This increase was mainly due to (i) an increase of 17.4% in the number of employees, from 1,117 as of December 31, 2010 to 1,311 as of December 31, 2011, and (ii) a 9.0% annual inflation adjustment in 2011.

Administrative and Others. BTG Pactual's administrative and others expenses increased 26.3%, from R$259.1 million in 2010 to R$327.2 million in 2011. This increase was mainly due to legal expenses, incurred only in 2011, of R$21.2 million in connection with initiatives to implement changes to BTG Pactual's corporate governance and organizational structure in anticipation of the private placement to the members of the consortium and Participating Partners. Additionally, BTG Pactual experienced an increase of (i) information technology consulting fees in connection with software developments for its operational platform in the amount of R$11.2 million, (ii) R$12.6 million in expenses for travel, presentations and conferences and (iii) R$13.1 million in information technology expenses other than consulting fees related to such software developments.

Goodwill Amortization. BTG Pactual's goodwill amortization expenses increased 271.4%, from R$8.4 million in 2010 to R$31.2 million in 2011, as a result of Banco BTG Pactual's acquisition of Coomex in October 2010 and the amortization of R$2.8 million of goodwill on a monthly basis following the acquisition. In 2011, BTG Pactual amortized monthly goodwill relating to Coomex of R$2.8 million until August 2011 and R$1.5 million from September 2011 onwards. In addition, BTG Pactual' amortized goodwill relating to Banco BTG Pactual's acquisitions of Recovery do Brasil Consultoria S.A. and Vivere Soluções e Serviços S.A. from March and October 2011, respectively, for a total of R$3.3 million.

Tax Expenses. BTG Pactual's tax expenses increased 35.3%, from R$133.9 million in 2010 to R$181.2 million in 2011. This increase was mainly due to the 32.0% increase in BTG Pactual's revenues. BTG

Pactual’s tax expenses are composed mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations. BTG Pactual’s tax rate maintained relatively stable at 5.7% in 2011, compared to 5.5% in 2010.

Earnings Before Income Tax

As a result of the foregoing, BTG Pactual’s earnings before income taxes increased 23.6%, from R$1,508.1 million in 2010 to R$1,863.7 million in 2011.

Income and Social Contribution Taxes

BTG Pactual’s income and social contribution taxes in Brazil are recorded under current or deferred liabilities. BTG Pactual’s income and social contribution taxes in Brazil went from an expense of R$381.0 million in 2010 to a gain of R$57.9 million in 2011. This variation was mainly due BTG Pactual’s recognition of tax credits of R$481.4 million in December 2011 resulting from Banco BTG Pactual’s merger with the investment vehicle used by the members of the Consortium to acquire 16.04% of BTG Pactual’s equity interests in December 2010. Such entity had previously recorded goodwill of R$1,203.4 million in connection with such acquisition. BTG Pactual’s effective rate was 25.3% in 2010 and (3.1)% in 2011 (including deferred tax assets from goodwill). See "—Critical Accounting Policies—Brazilian GAAP Accounting Policies Applicable to BTG Pactual Holding and Banco BTG Pactual—Deferred Income Tax and Social Contribution."

Net Income

As a result of the foregoing, BTG Pactual’s net income increased 70.5%, from R$1,127.1 million in 2010 to R$1,921.7 million in 2011, representing a net margin of 46.5% and 60.0% respectively.

Regulatory Capital Requirements

Banco BTG Pactual Regulatory Capital Requirements

Banco BTG Pactual maintains a level and composition of equity capital that it considers sufficient to conduct its operations under well-capitalized bank standards. Banco BTG Pactual manages its capital primarily through equity issuances and subordinated debt issuances. Banco BTG Pactual also manages its capital requirements by establishing limits to its business units on the capital they deploy in their operations. Banco BTG Pactual’s definition of capital generally follows the principles and guidelines established by the Basel Committee, as they have been adopted from time to time by the Central Bank. As of December 31, 2012, the total shareholders’ equity of Banco BTG Pactual was R$10,101.4 million compared with total shareholders’ equity of R$6,339.7 million as of December 31, 2011 in accordance with Brazilian GAAP which is the GAAP basis for regulatory capital requirements.

Banco BTG Pactual’s equity capital was materially enhanced as a result of (i) the issuance of US$1.44 billion of equity to the members of the Consortium and the Participating Partners in December 2010 and (ii) R$2,070.0 million in equity in BTG Pactual’s initial public offering in April 2012. Banco BTG Pactual’s BIS capital ratio as of December 31, 2012 reflects certain changes in the methodology for computing the market risk component of the Basel Index (as per the implementation of new requirements under the Basel Capital Accord known as Basel 2.5). Basel 2.5 is a complex package of international rules which charges banks higher capital for the risks they run in their trading books (as opposed to their banking books, where they keep assets that they intend to hold to maturity).

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, of March 1, 2013, determined, among other things, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the Reference Shareholders’ Equity, or "PR," which will have to be adopted by Brazilian financial institutions by October 2013. See "Regulatory Overview—Capital Adequacy and Leverage."

Regulatory Capital Adequacy

We believe that Banco BTG Pactual's working capital is sufficient for its present requirements and for the 12 months following the date of this Prospectus.

Banco BTG Pactual must comply with capital requirements established by the Central Bank and CMN that are similar to those recommended by the Basel Committee. The Basel Capital Accord is a risk-based guideline that establishes capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

The regulations imposed by the Central Bank typically follow the guidance proposed by the Basel Committee. Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks. In June 2004, the Basel Committee approved a framework for risk-based capital adequacy, commonly referred to as the Basel II Accord. The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. Pursuant to the Central Bank Communication No. 19,028 of October 29, 2009, the recommendations of the Basel II Accord will be fully implemented by the end of the first half of 2013.

The requirements imposed by the Central Bank and the CMN differ from the Basel II Accord in several aspects. Among other differences, the Central Bank and the CMN:

- establish a minimum capital ratio of 11%, instead of 8% currently adopted under international standards; and
- determine capital requirements based on the balance sheet according to Brazilian GAAP. Brazilian GAAP differs from IFRS due, among other reasons, to (a) the use of accrual principle, (b) the adoption of trade date convention, and (c) a limited permission to adopt netting conventions.

Adjusted shareholders' equity as currently set forth by CMN Resolution No. 3,444, of February 28, 2007, is considered for the determination of operating limits of Brazilian financial institutions, and is represented by the sum of the Tier I equity and Tier II equity.

Tier I capital is represented by the net shareholders' equity plus the balance of positive income accounts and of the deposit in the account designated to compensate capital deficiency, less the amounts corresponding to the balances of negative income accounts, revaluation reserves, contingency reserves, and special profit reserves concerning mandatory dividends not distributed, preferred shares with a redemption clause and preferred shares with cumulative dividends, certain tax credits, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivatives used for hedging cash flow. The Tier I capital of Banco BTG Pactual consists exclusively of common equity capital, reduced by small amounts of tax credit and deferred charges.

Tier II capital is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, preferred cumulative stock issued by financial institutions authorized by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivatives used for hedging the cash flow.

The total amount of Tier II capital is limited to the total amount of Tier I capital, provided that (i) the total amount of revaluation reserves is limited to 25.0% of the Tier I capital; (ii) the total amount of subordinated debt plus the total amount of redeemable preferred shares with an original maturity below ten years is limited to 50.0% of the total amount of the Tier I capital; (iii) the total amount of hybrid equity and debt instruments authorized by the Central Bank to be included in Tier I capital is limited to 15.0% of the total amount of Tier I capital; and (iv) a 20.0% to 100.0% reduction will be applied to the amount of subordinated debt authorized for Tier II capital and of redeemable preferred shares during the period between 60 months and 12 months preceding their respective maturities.

Financial institutions such as Banco BTG Pactual must calculate the adjusted shareholders’ equity on a consolidated basis. At July 2007, the balances of assets represented by shares, hybrid equity and debt instruments, subordinated debt instruments and other financial instruments authorized by the Central Bank for inclusion in Tier I capital and Tier II capital issued by financial institutions must be deducted from the adjusted shareholders’ equity. In addition, investment fund quotas proportional to these instruments must also be deducted from the adjusted shareholders’ equity, as well as amounts relating to: (i) equity in financial institutions which information the Central Bank does not have access to; (ii) excess funds applied to permanent assets pursuant to the current regulation; and (iii) funds delivered to or available by third parties for related transactions.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders summit in November 2010. The Basel III Accord recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth. The Basel Committee’s package of reforms will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, of March 1, 2013, determined, among others, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR, which is the basis for the determination of minimum regulatory capital. Among the changes introduced by this new set of rules, it is important to highlight: (i) the introduction of the concept of quasi-financial institutions (*instituições assemelhadas*); (ii) the necessity of consolidation of financial statements of such quasi-financial institutions; (iii) the issuance of new rules for the calculation of the components of the PR (including Principal Capital and Complementary Capital, both of which comprising the so-called Tier I Capital). These changes are to be implemented from October 1, 2013 to January 1, 2022.

Consolidated Capital Ratios of Banco BTG Pactual

The following table sets forth additional information on the capital ratios of Banco BTG Pactual as of December 31, 2010, 2011 and 2012:

	As of December 31,		
	2010	2011	2012
		(in R$millions)	
Reference Shareholders' Equity (PR)	**5,567.0**	**8,431.0**	**14,593.3**
Shareholders' equity – Tier 1	5,602.5	6,331.1	10,249.6
Shareholders' equity – Tier 2	-	3,165.5	5,124.8
Deductions from the Reference Shareholders' Equity	(35.4)	(1,065.6)	(781.1)
Required Reference Shareholders' Equity (PRE)	**2,841.7**	**5,250.9**	**9,273.3**
Credit risk	1,631.8	3,416.0	5,606.7
Market risk	943.1	1,553.5	3,440.8
Operating risk	266.7	281.4	225.8
Exceeding Required Reference Equity: (PR-PRE)	**2,725.3**	**3,180.1**	**5,319.9**
Capital adequacy ratio (based index): (PRx100)/PRE/0.11)	**21.55%**	**17.66%**	**17.31%**

Banco BTG Pactual's Subsidiary Capital Requirements

Banco BTG Pactual is subject to banking supervision and regulation on a global consolidated basis in Brazil under the Central Bank framework. Regulatory capital requirements are determined on a consolidated basis, including assets and liabilities of consolidated subsidiaries, even if such subsidiary is subject to the banking supervision of other regulators on an individual basis. In the case of Banco PanAmericano, due to the fact that Banco BTG Pactual exercises joint control ownership, together with CaixaPar, the Central Bank determined that capital requirements and banking supervision over Banco BTG Pactual will be exercised on a stand-alone basis. Banco PanAmericano is recognized as an independent bank conglomerate by the Central Bank, and its capital requirements must be satisfied with Banco PanAmericano's own capital. As mentioned above, Banco BTG Pactual purchased a co-controlling interest in Banco PanAmericano. The effect of the transaction on the calculation of its regulatory capital is discussed above. See "Business—Significant Recent Developments."

Through Banco BTG Pactual's subsidiaries in the United States, Banco BTG Pactual is subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and the SEC. Through BTG Pactual Europe, one of Banco BTG Pactual's quoting entities authorized by the FCA to provide investment services in the United Kingdom, Banco BTG Pactual is additionally subject to the supervision of the FCA and related regulatory requirements in the United Kingdom. See "Risk Factors—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business," "Regulatory Overview—Regulation in the United States" and "Regulatory Overview—Regulation in the United Kingdom." Celfin and Bolsa y Renta are also subject to regulatory capital requirements determined by Chilean and Colombian laws and their regulators, respectively, calculated based on their own capital.

BTG Pactual Participations' and BTGI's Regulatory Capital Requirements

Neither BTG Pactual Participations nor BTGI are subject to banking regulation or regulatory capital requirements in Brazil. As the primary investment vehicle for the principal investments business unit of BTG Pactual, BTG Pactual Participations and BTGI do not have employees and are, thus, not subject to regulatory requirements. Credit risk management for BTGI's proprietary funds and other investments is conducted by the asset management unit of Banco BTG Pactual. BTG Pactual Participations believes that its working capital is sufficient for its present requirements; that is, for at least 12 months following the date of this Prospectus

Liquidity

Liquidity is essential to Banco BTG Pactual's and BTGI's (and consequently, BTG Pactual Participations') businesses. Liquidity management is the set of policies and procedures put in place internally to ensure that Banco BTG Pactual and BTGI always have access to sufficient cash to meet our and their obligations, under normal circumstances and under severe market stress.

Banco BTG Pactual Liquidity

Liquidity is particularly critical to the operations of Banco BTG Pactual. The most important principle of Banco BTG Pactual's liquidity management framework is the maintenance of a strong cash position – its liquidity buffer – at all times. Banco BTG Pactual's liquidity buffer is calculated to be sufficient to run its operations for a minimum of 90 days assuming that it does not obtain new funding during the period. Banco BTG Pactual's balance sheet is, in large part, composed of very liquid financial instruments, and it obtains funding from a diversified range of unsecured instruments from a broad range of sources. Also, Banco BTG Pactual maintains a contingency plan to manage its liquidity under severely adverse market conditions, based on the imposition of constraints on its lending operations and on the reduction of its exposure to illiquid assets and the sell-off of liquid instruments.

Banco BTG Pactual has recently enhanced its liquidity profile through the issuance of the following securities: (i) in April 2011, R$4.0 billion in local subordinated notes with an average maturity of 7.8 years; (ii) in July 2011, US$500.0 million in senior notes due 2016 at a rate of 4.875%, under Banco BTG Pactual's medium-term note programme; (iii) in December 2011 and January 2012, three additional series of zero-coupon, one-year senior notes under Banco BTG Pactual's medium-term note programme to a single investor in the total principal amount of US$106.0 million; (iv) in December 2011, a series of notes in the total principal amount of R$0.6 billion with an average maturity of 7.0 years; (v) in September 2012, US$800.0 million subordinated notes due 2022 at a rate of 5.75%, priced at 98.14%; (vi) in September and October 2012, a total issuance of US$235.0 million 7.00% senior notes due 2017 denominated in Colombian pesos under Banco BTG Pactual's medium-term note programme; (vii) in January 2013, US$1.0 billion in senior notes due 2020 at a rate of 4.00% under Banco BTG Pactual's medium-term note programme; and (viii) in March 2013, the equivalent of US$161.0 million of senior notes denominated in Chinese Yuan renminbi at a rate of 4.1% due in 2016 also under Banco BTG Pactual's medium-term note programme. Under the terms of the US$800.0 million subordinated notes, Banco BTG Pactual may, among other things, defer payment of any amounts due to noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

Banco BTG Pactual intends to continue its funding activities by accessing funding from diversified sources in Brazil and abroad, issuing debt instruments and deposits in different markets, currencies and tenors. As of December 31, 2012, Banco BTG Pactual had more than 300 depositors, and its top 10 depositors represented less than 19.0% of its total unsecured funding base. Banco BTG Pactual is subject to liquidity regulatory requirements imposed by the Central Bank, which includes the monitoring of its liquidity position, of its liquidity stress scenarios, and of its liquidity contingency plan. Banco BTG Pactual is currently the only entity within BTG Pactual that is permitted to take deposits, directly and through its branches, (including interbank, demand and time deposits) from clients or counterparties.

BTGI (and consequently, BTG Pactual Participations) Liquidity

Liquidity management for BTG Pactual Participations' proprietary funds and other investments is conducted by the asset management unit of BTG Pactual, which, through Banco BTG Pactual, provides investment advisory services to such funds and investments.

One of the objectives of Banco BTG Pactual's asset management team in managing BTGI's proprietary investments is to provide BTGI with a highly liquid portfolio. BTGI believes such liquidity affords a high degree of portfolio agility, enabling the capacity to shift resources quickly and effectively out of less promising investments into more attractive ones, as well strategic agility, consisting of the ability to identify and seize opportunities which may arise in stress situations.

The liquidity of BTGI's portfolio is closely monitored by Banco BTG Pactual's asset management team, and daily calculations are made with respect to market risk. BTGI's liquidity is also managed through ADTV (Average Daily Traded Volume), a method by which the average amount of securities traded in a day or a specified period of time is monitored as an indicator of how liquid a security is. When ADTV is high, this is an indicator that the securities can be easily traded, whereas when the ADTV is low, this may negatively affect the liquidity of such securities. In addition, Banco BTG Pactual's asset management team receives reports before the opening of markets each morning that indicate the risk exposure for each asset in our portfolio and suggest hedging strategies using high liquid assets.

Banco BTG Pactual has developed an internal system (PATROL) through which it is possible to optimize and anticipate the margins required by the BM&FBOVESPA (with respect to futures, options and swaps) and the Brazilian Clearing and Depository Corporation (CBLC) (with respect to options, term and leases). In this way, we believe PATROL facilitates the efficient management of cash flow and helps to mitigate liquidity risks affecting our portfolio, particularly through making available on-line simulations of fund margins. PATROL's systems replicate the methodology used by other stock markets and is completely integrated into the other systems of BTG Pactual.

Liquidity management of BTGI's investments additionally contemplates stress scenarios and the related impact on redemption. Such analysis tests different scenarios of asset reduction so that Banco BTG Pactual's asset management team may estimate, based on liquidity and anticipated sales volume, the time necessary to effect redemption, while operating within predetermined risk limits.

The design and maintenance of systems and models enabling data interpretation is a critical component of the proper functioning of any activity operating within the financial markets. In managing our liquidity profile, Banco BTG Pactual's asset management team strives to achieve an "efficient portfolio" based on modern portfolio theory. For additional information regarding the modeling and systems used by Banco BTG Pactual's asset management team, see "—Risk Management—Market Risk—BTGI Market Risk" below.

BTGI also hold investments, mainly though our merchant banking activities, which are inherently illiquid as a function of investing private companies not traded on any stock exchanges. BTGI expects significant liquidity constraints if we decide to sell these assets. However, BTGI has been able to use certain of such assets to collateralize other fundraising transactions. See "Indebtedness—BTGI (and, consequently, BTG Pactual Participations) Indebtedness—Financial liabilities at amortized cost—US$200 Million Credit Agreement with Citibank N.A."

Furthermore, on April 10, 2013, BTGI issued senior notes totaling US$700.0 million at a fixed coupon of 4.50% p.a., priced at 99.448% maturing in April 2018 and with interest due every six months in October and April. These notes are guarantee by BTG Pactual Holding S.A., a company through which the partners of the BTG Pactual Group controls Banco BTG Pactual S.A.

Dividends and other distributions

Banco BTG Pactual Dividends and other distributions

On September 18, 2009, the Partners acquired Banco BTG Pactual. Immediately following the acquisition, Banco BTG Pactual distributed dividends of R$1.7 billion to BTG Pactual Participações II S.A., or "BTG Participações," the vehicle used by such Partners to acquire Banco BTG Pactual. These dividends were fully used by BTG Participações to pay for a portion of the purchase price on the same date. The remaining portion of the purchase price was financed with borrowings from us and additional funding obtained by BTG Participações from third parties, including UBS AG. On September 30, 2010, the outstanding aggregate balance of Banco BTG Pactual’s loans to BTG Participações was R$1.2 billion.

During 2010, Banco BTG Pactual distributed R$373.6 million of dividends, which were primarily used by the Partners to amortize part of the debt of BTG Participações with third parties. On November 26, 2010, we made a distribution in kind to the Partners at such time of a portion of its credit against BTG Participações, in the total amount of R$728.4 million. Following the distribution, the relevant Partners indirectly contributed a portion of the credit to BTG Participações, resulting in its cancellation.

In December 2010, Banco BTG Pactual had a capital increase of R$2.4 billion and received R$0.7 billion in proceeds from the issuance of new equity capital to the members of the Consortium and the Participating Partners. Approximately R$473.0 million of the amount received by Banco BTG Pactual was distributed as dividends to BTG Participações. These dividends were then used by BTG Participações to repay (in cash) the remaining portion of the debt owed to Banco BTG Pactual.

During 2011, Banco BTG Pactual distributed R$692.0 million of dividends to its shareholders, with the portion thereof received by its then current Partners used to amortize the remaining part of the debt of BTG Participações with third parties. In 2011, Banco BTG Pactual further distributed R$319.0 million as interest on equity, which was recapitalized into Banco BTG Pactual on the same date. BTG Pactual Participations did not make any distributions to its Partners in 2011.

As a result of the above, since September 18, 2009, Banco BTG Pactual paid aggregate dividends in 2009, 2010, 2011 of R$1,250.0 million, R$846.6 million and R$692.0 million, respectively, which were, to a large extent, used by the Partners to amortize the outstanding debt incurred in connection with the acquisition of Banco BTG Pactual (including the total outstanding balance of the BTGI loan). Except for the distributions in 2009 and 2010 mentioned above, Banco BTG Pactual did not make further distributions to its Partners from 2009 to 2012.

On August 8, 2012, Banco BTG Pactual’s board of directors approved the distribution of proceeds to its shareholders in the amount of R$401.6 million, of which R$220.0 million will be distributed as interest on equity (subject to withholding taxes) and R$181.6 million will be distributed as dividends, both on March 2013.

On December 31, 2012, Banco BTG Pactual recorded R$192.2 million as dividends, with such dividends being approved at Banco BTG Pactual’s special shareholders’ meetings held on December 19, 2012 and February 19, 2013.

For additional information regarding distributions of interest on equity by Banco BTG Pactual in 2010, 2011 and 2012, see "Combined Income Statement of BTG Pactual (Brazilian GAAP—Audited)—Interest on Equity." Although BTG Pactual Holding is the owner of record of approximately 82.7% of Banco BTG Pactual’s common shares and approximately 63.7% of its preferred shares (or a total of 842,937,604 preferred shares and 1,150,024,802 common shares), with respect to certain of such shares, the right to receive distributions in the form of interest on equity is held by the Brazilian FIP fund owned exclusively by the Partners in an arrangement referred to under Brazilian law as *usufruto de ações*. In 2012, Banco BTG Pactual distributed R$373.8 million in dividends and R$440.0 million in interest on equity (of which R$107.9 million was distributed to BTG Pactual Holding and R$213.3 to the Partners, via the Brazilian FIP fund, as a result of the *usufruto de ações*).

BTG Pactual Participations dividends and other distributions

In 2011, BTG Pactual Participations distributed R$1.3 million in dividends. In 2010 and 2011, BTGI distributed R$924.3 million and R$1.3 million in dividends, respectively. BTG Pactual Participations and BTGI did not distribute any dividends in 2012.

Use of Funds

Banco BTG Pactual and BTG Pactual Participations mainly use funds to carry out the activities of BTG Pactual’s sales and trading and principal investments business units and, in the case of Banco BTG Pactual only, the corporate lending unit. These units provide, among other things, structured and other loans and take proprietary positions through market-making in, and trading of, fixed income and equity products, currencies, commodities, and swaps and other derivatives. The majority of BTG Pactual Participations and Banco BTG Pactual’s portfolio is comprised of highly liquid instruments. See "—Liquidity" above.

Indebtedness

Banco BTG Pactual Indebtedness

The following table shows the composition of Banco BTG Pactual’s funding as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Financial liabilities held for trading	19,053.0	13,215.4	11,637.5
Financial liabilities carried at amortized cost			
Open market funding	30,800.2	29,949.2	49,064.9
Amounts payable to banks	338.9	576.4	627.1
Other financial liabilities carried at amortized cost	11,891.9	22,850.8	30,993.3
Total liabilities	62,084.0	66,591.8	92,322.8

After December 31, 2012, Banco BTG Pactual continued to incur indebtedness, mainly as a result of (i) an increase in its open market funding, which is directly linked to corresponding increases in its open market investments and securities subject to repurchase agreements, (ii) the issuance in January 2013 of US$1.0 billion in senior notes due 2020 at a rate of 4.0% under Banco BTG Pactual’s medium-term note programme and (iii) the equivalent of US$161.0 million of senior notes denominated in Chinese Yuan renminbi at a rate of 4.1% due in 2016 also under Banco BTG Pactual’s medium-term note programme.

Financial liabilities held for trading

Financial liabilities held for trading is comprised of short position in securities and loans in securities, mainly related to federal government bonds. The balance of Banco BTG Pactual financial liabilities held for trading decreased from R$19,053.0 as of December 31,2010 to R$13,215.4 million as of December 31, 2011 and further to R$11,637.5 million as of December 31, 2012.

Open market funding

Banco BTG Pactual funds a significant portion of its portfolio through secured funding arrangements, such as repurchase agreements. Banco BTG Pactual maintains relationships with several market counterparties, such as financial institutions, prime brokers, institutional investors, asset managers, clearing agents, depositaries, central banks or other monetary authorities, through which it may obtain secured funding by placing significant portions of its portfolio of securities, especially government bonds, as collateral. Banco BTG Pactual's secured funding transactions are an important component of its overall funding strategy in the context of the liquidity management. The total balance of repurchase transactions vary in line with changes in the amount of Banco BTG Pactual's total assets, and especially of its securities portfolio. Banco BTG Pactual also maintains a balance of repurchase agreements in connection with reverse repurchase transactions (i.e., its match portfolio), through which it allows clients, such as its investment funds, to access money markets for overnight or term investments collateralized by prime, highly liquid government securities. As of December 31, 2010, 2011 and 2012, Banco BTG Pactual's portfolio of repurchase transactions totaled R$30,800.2 million, R$29,949.2 million and R$49,064.9 million, respectively.

Amounts payable to banks

Amounts payable to banks is comprised of interbank loans from Brazilian financial institutions in open market operations. The balance of Banco BTG Pactual interbank deposits increased, from R$576.4 million as of December 31, 2011 to R$627.1 million as of December 31, 2012.

Other financial liabilities carried at amortized cost

The financial liabilities carried at amortized cost are comprised of the following funding operations: demand deposits, time deposits, funds from securities issues and accepted, loans and onlendings and subordinated debts.

Demand deposits

Banco BTG Pactual does not provide commercial banking services to its clients other than through BTG Pactual's PanAmericano business unit. The cash balances maintained by Banco BTG Pactual's clients in demand deposits are seasonal, and typically result from the settlement of securities in connection with its sales and trading businesses. The volume of Banco BTG Pactual's demand deposits tend to vary, and are generally linked to the volume of transactions it settles for its clients. They can also be impacted by regulatory measures, or by certain taxes imposed on financial transactions, such as the IOF tax, that can cause its clients to delay certain cash transferences abroad. Demand deposits also include balances of money market deposits maintained by Banco BTG Pactual's clients with its Cayman Islands Branch. As of December 31, 2012, the balance of Banco BTG Pactual's demand deposits from local and international clients totaled R$283.5 million, compared to R$1,574.3 million as of December 31, 2011.

Time deposits

A significant portion of Banco BTG Pactual's funding is in the form of time deposits. Usually, Banco BTG Pactual's depositors are Brazilian companies, pension funds and HNWI. Most of Banco BTG Pactual's CDBs bear an interest rate equivalent to the CDI plus a spread. Banco BTG Pactual's balance of time deposits increased 13.7% from R$12,060.4 million as of December 31, 2011 to R$13,713.4 million as of December 31, 2012. This increase was mainly due to Banco BTG Pactual's continuous effort to maintain a high level of market discipline and transparency, pursuant to which its clients and counterparties were informed about its performance and its strategy.

The table below shows the composition of Banco BTG Pactual's time deposits issued by maturity as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Up to 90 days	1,050.7	3,180.7	6,872.4
From 91 to 365 days	5,699.4	6,184.5	5,134.6
From 1 to 3 years	987.1	1,553.5	581.6

Over 3 years	171.7	1,141.5	1,124.6
Total	**7,908.9**	**12,060.4**	**13,713.4**

The table below shows the concentration of Banco BTG Pactual's time deposits issued by depositors by economic group:

	As of December 31,		
	2010	2011	2012
		(in R$millions)	
Total number depositors	245	265	367
Largest depositor	721.6	841.2	938.9
10 largest depositors	3,519.5	4,874.5	5,780.0
20 largest depositors	4,715.7	7,258.8	8,062.4
50 largest depositors	6,384.3	9,937.8	10,869.9
100 largest depositors	7,433.9	11,469.4	12,517.3

Funds from securities issued and accepted

The balance from securities issued and accepted of Banco BTG Pactual increased from R$1,502.0 million as of December 31, 2010 to R$4,138.1 million as of December 31, 2011 and to further R$8,725.1 million as of December 31, 2012. This increase is in line with its distribution efforts in local and international markets.

- In July 2011, Banco BTG Pactual issued, through its Cayman Islands Branch, a series of senior notes through its medium-term note programme in the total principal amount of US$500 million. The maturity date of these notes is July 8, 2016;
- In December 2011, Banco BTG Pactual issued a series of notes in the total principal amount of R$600 million. The average maturity date of the notes is 7.0 years, and the first maturity date is June, 2017;
- In December 2011, Banco BTG Pactual issued, through its Cayman Islands Branch, three series of senior notes through its medium-term note programme to a single investor in the total principal amount of US$106.0 million. The maturity date for these notes is one year from the date of issuance;
- In September and October 2012, Banco BTG Pactual issued, through its Cayman Islands Branch, approximately US$235 million aggregate principal of senior notes through its medium-term note programme, denominated in Colombian pesos, at a fixed coupon of 7.00% and maturing in September 2017, marketed primarily to investors in Latin America;
- In January 2013, Banco BTG Pactual issued, through its Cayman Islands Branch, US$1.0 billion in senior notes through its medium-term note programme at a fixed coupon of 4.00% and maturing in January 2020; and
- In March 2013, Banco BTG Pactual issued, through its Cayman Islands Branch, the equivalent of US$161.0 million of senior notes denominated in Chinese Yuan renminbi at a rate of 4.1% and maturing in 2016 also under Banco BTG Pactual's medium-term note programme.

The table below shows the composition of Banco BTG Pactual's funds from securities issued and accepted by type as of the dates indicated:

	As of December 31,		
	2010	2011	2012
		(in R$millions)	
Financial bills	196,5	363,5	245.0
Letters of credit for agribusiness/mortgage bonds	1,299.5	2,625.0	5,806.0
Medium term notes and credit-linked notes	6.0	1,149.6	2,674.1
Total	**1,502.0**	**4,138.1**	**8,725.1**

Loans and onlendings

The funding from loans and onlendings consists of funding facilities obtained by Banco BTG Pactual, such as revolving credit facilities, trade finance, BNDES lines of credit, among others. As of December 31, 2012, the outstanding balance of these facilities obtained by Banco BTG Pactual was R$1,904.7 million, compared to R$919.7 million as of December 31, 2011 and R$155.3 million as of December 31, 2010, and such increase is directly linked to its strategy to grow Banco BTG Pactual's corporate lending unit, which was boosted by sustained economic growth and credit demand from its corporate clients.

Subordinated debt

Banco BTG Pactual's balance from subordinated indebtedness increased from R$4,158.3 million as of December 31, 2011 and to further R$6,246.1 million as of December 31, 2012. Banco BTG Pactual was responsible for issuing all of BTG Pactual's subordinated indebtedness during these periods.

In April 2011, Banco BTG Pactual issued a series of subordinated notes in Brazil in the total principal amount of R$3.975.0 million, indexed to IPCA plus 1%a.a., with an average maturity date of the notes is 7.8 years, and the first maturity date is October 2016. In September 21, 2012, Banco BTG Pactual priced at 98.14% an issuance of US$800 million, 5.75% subordinated notes due September 28, 2022, denominated in U.S. dollars. Under the terms of these notes, Banco BTG Pactual may, among other things, defer payment of any amounts due to noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

BTGI (and consequently, BTG Pactual Participations) Indebtedness

The following table shows the composition of BTGI's funding as of the dates indicated:

	As of December 31,		
	2010	**2011**	**2012**
		(in R$millions)	
Open market funding	8,190.8	9,916.5	21,393.9
Financial liabilities held for trading	13,963.6	4,979.9	855.8
Financial liabilities at amortized cost	565.6	107.4	286.2
Total	**22,720.0**	**15,003.8**	**22,535.9**

Open market funding

BTGI funds a significant portion of its portfolio through secured funding arrangements, such as repurchase agreements. BTGI maintains relationships with several market counterparties, such as financial institutions, prime brokers, institutional investors and asset managers, through which it may obtain secured funding by placing significant portions of its portfolio of securities, especially U.S. Treasury securities and U.S. Agency securities, as collateral. BTGI's secured funding transactions are an important component of our overall funding strategy in the context of liquidity management. The total balance of repurchase transactions varies in line with changes in the amount of its total assets, and especially of our securities portfolio. BTGI also maintains a balance of repurchase agreements in connection with reverse repurchase transactions (i.e., our match portfolio). As of December 31, 2010, 2011 and 2012, the collateral BTGI has granted in connection with its repurchase transactions totaled R$8,463.3 million, R$5,451.1 million and R$37,459.0 million, respectively.

Financial liabilities held for trading

As of December 31, 2010, 2011 and 2012, BTGI's financial liabilities held for trading consisted primarily of U.S. Treasury securities held for short-selling transactions, totaling R$13,963.6 million, R$4,979.9 million and R$855.8 million, respectively. The balance of its portfolio of securities held for short-selling transactions gradually decreased during this period, mainly due to a shift in our investment strategy resulting in a reduction of transactions leveraged with short-term funding.

Financial liabilities at amortized cost

As of December 31, 2010, 2011 and 2012, BTGI's financial liabilities at amortized costs consisted mainly of loans with financial institutions abroad indexed to LIBOR, which have varying maturities through June 2014 and, in the case of certain loans executed in 2010 and 2011, already matured in December 2012. As of December 31, 2012, BTGI's balance of financial liabilities at amortized cost consisted primarily of third party funding for recent investments.

In addition, in February of 2013, BTGI entered into two loan agreements in the total amount of US$300.0 million, both of which are guaranteed by BTG Pactual Holding, a company owned by the Partners which is the parent company of Banco BTG Pactual, as further described below:

US$200 Million Credit Agreement with Citibank N.A. On February 5, 2013, BTGI entered into a secured credit agreement with Citibank, N.A., or the "Citibank loan," in the aggregate principal amount of US$200 million, which is unconditionally and irrevocably guaranteed by BTG Pactual Holding. The Citibank loan is indexed to three-month Libor plus 2.1% per annum and is due in a single payment on July 30, 2014. Interest on the loan is payable in 6 tri-annual installments, the first of which is due on May 7, 2013. The Citibank loan is secured by the pledge of shares equal to 47.07% of the interest on capital of União de Lojas Leader S.A, or "Leader," one of the portfolio companies of BTG Pactual. The Citibank loan contains a financial covenant stipulating that BTGI and BTG Pactual Holding's combined indebtedness must remain below 50% of our combined total tangible net worth and a cross-default provision whereby BTGI outstanding indebtedness under the Citibank loan will become immediately due and payable in the event we, any of BTGI subsidiaries or BTG Pactual Holding does not comply with BTGI or its obligations under any other credit agreement with a value in excess of US$150 million. As of December 31, 2012, the equivalent of 23.1% of Leader's interest on capital is classified as non-current assets held for sale on BTG Pactual Participations' balance sheet.

US$100 Million Senior Unsecured Term Loan with Bank of America N.A. On February 6, 2013, BTG Pactual Participations entered into a US$100 million senior unsecured loan with Bank of America, N.A., or the "BAML loan," which is unconditionally and irrevocably guaranteed by BTG Pactual Holding. The BAML loan bears interest at a rate equal to 2.15% per annum. Principal on the BAML loan is due in a single installment on August 6, 2014 and interest is payable in 6 semiannual installments, the first of which is due in April 2013. The BAML loan contains financial covenants stipulating that (i) BTGI and Banco BTG Holding may not distribute dividends in excess of 35% of our combined net income and (ii) BTGI and BTG Pactual Holding may not incur indebtedness maturing on or prior to August 6, 2014 in amounts equal to or greater than 35% of our combined total tangible net worth, except for certain indebtedness previously disclosed to Bank of America and incurred in the ordinary course of business. In addition, the BAML loan contains a cross-default provision similar to the one contained in the Citibank loan.

In addition to the financial liabilities recorded at amortized costs, on April 10, 2013, BTGI issued senior notes totaling US$700.0 million at a fixed coupon of 4.50% p.a., priced at 99.448% maturing in April 2018 and with interest due every six months in October and April. These notes are guarantee by BTG Pactual Holding S.A., a company through which the partners of the BTG Pactual Group controls Banco BTG Pactual S.A.

Banco BTG Pactual Use of Funds

The following table presents the asset allocation in Banco BTG Pactual's balance sheet as of the dates indicated:

	As of December 31,					
	2010	% of Total Assets	2011	% of Total Assets	2012	% of Total Assets
	(in R$millions, except percentages)					
Cash and balances at Central Bank	1,622.5	2.2%	1,391.4	1.7%	1,024.4	0.8%
Financial assets held for trading	34,582.8	47.3%	36,291.8	44.0%	62,592.7	50.3%
Financial assets designated at fair value through profit and loss	23,269.8	31.9%	7,728.6	9.4%	6,324.1	5.1%
Derivative financial instruments	3,329.7	4.6%	3,271.9	4.0%	9,993.9	8.0%
Open market investments	1,854.0	2.5%	10,895.8	13.2%	15,726.9	12.6%
Amounts receivable from banks	86.7	0.1%	958.6	1.2%	1,917.8	1.5%
Other loans and receivables	4,238.3	5.8%	8,278.5	10.0%	10,324.5	8.3%
Held-to-maturity financial assets	-	-	3,788.5	4.6%	4,100.4	3.3%
Deferred tax assets	923.7	1.3%	1,387.9	1.7%	1,550.1	1.2%
Other assets	2,746.5	3.8%	6,900.9	8.4%	6,998.7	5.6%
Investment in associates and jointly controlled entities	-	-	733.3	0.9%	2,561.1	2.1%
Property, plant and equipment	197.9	0.3%	58.4	0.1%	95.7	0.1%
Intangible assets	198.7	0.3%	706.3	0.9%	1,215.2	1.0%
Total assets	**73,050.6**	**100.0%**	**82,392.1**	**100.0%**	**124,425.7**	**100.0%**

BTGI Use of Funds

The following table presents the asset allocation in BTGI' consolidated balance sheet at the dates indicated:

	As of December 31,					
	2010	% of Total Assets	2011	% of Total Assets	2012	% of Total Assets
	(in R$millions, except percentages)					
Cash on banks	995.5	3.2%	31.9	0.1%	78.8	0.3%
Open market investments	5,745.5	18.7%	2,995.9	9.8%	11.2	0.0%
Derivative financial instruments	65.9	0.2%	24.4	0.1%	510.3	1.8%
Financial assets held for trading	17,089.3	55.7%	18,719.5	61.2%	22,964.6	82.6%
Financial assets available for sale	182.9	0.6%	480.4	1.6%	1,044.9	3.8%
Loans and receivables	347.0	1.1%	376.2	1.2%	721.8	2.6%
Due from brokers	6,058.9	19.7%	7,838.0	25.6%	1,238.8	4.5%
Non-current assets held for sale	-	-	-	-	338.5	1.2%
Investment in associates and joint ventures	-	-	-	-	571.4	2.1%
Assets held for sale	214.8	0.7%	117.9	0.4%	336.0	1.2%
Total assets	**30,699.8**	**100.0%**	**30,584.2**	**100.0%**	**27,816.2**	**100.0%**

Contractual Obligations

Banco BTG Pactual Contractual Obligations

The table below presents the undiscounted cash flows for "Financial liabilities carried at amortized cost." We are not presenting undiscounted cash flows for "Financial Liabilities at fair value through profit or loss." Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

	December 31, 2012		
	Under 12 months	**Over 12 months**	**Total**
Financial Liabilities carried at amortized cost			
Amounts payable to banks	587,185	63,146	650,332
Open market funding	48,920,806	305,944	49,226,750
Other financial liabilities carried at amortized cost	17,363,289	20,592,583	37,955,872

In addition, the table below presents the maturity and balance of Banco BTG Pactual’s additional contractual obligations with respect to derivative financial instruments:

	Under 12 months	**Over 12 months**	**Total**
		(R$millions)	
Derivatives financial instruments	9,241.0	908.1	10,149.2

BTGI Contractual Obligations

The tables below present the maturity and balances of BTGI’s (and consequently, BTG Pactual Participations’) significant contractual financial obligations as of December 31, 2012:

	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
			(in $R millions)		
Open market funding	21,393.9	-	-	-	21,393.9
Derivative financial instruments	408.5	44.2	336.8	60.0	849.5
Financial liabilities held for trading	855.8	-	-	-	855.8
Financial liabilities at amortized cost	235.4	-	79.4	-	86.2

Commitments

BTGI has entered into several agreements related to investment opportunities, mainly in the private equity sector, pursuant to which we have provided unfunded commitments in our capacity as limited partners in private equity funds. The actual drawdown relating to these commitments is contingent upon the identification of attractive investments during the investment period specified for each fund and joint venture. In general, BTGI expects cash outflows relating to these commitments should be disbursed mostly over the next 24 months (up to eight years). However, it is difficult to estimate with precision the timing and total amount of such cash outflows, or whether such commitments will be funded at all. As of December 31, 2012, BTGI’s total undrawn commitments amounted to R$1.7 billion, mainly related to BTGI’s committed investments in BTGI’s FIP (FIP Principal) and BTG Pactual Brazil Infrastructure Fund II LP (FIP Infrastructure fund), two private equity funds managed by the asset management unit of BTG Pactual, and BTGI’s joint venture in B&A Mineração, which is also effectively management by the asset management unit of BTG Pactual. We do not record any amounts relating to these commitments in our balance sheets.

Banco BTG Pactual does not have similar commitments.

Capital Expenditures

Banco BTG Pactual's main capital investments in 2010, 2011 and 2012 amounted to R$27.5 million, R$27.2 million and R$93.0 million, respectively. In 2010 and 2011, most of these expenditures related to investments in data processing systems (21.2%), software (27.8%), premises (43.6%) and communication systems (7.4%), while in 2012, the majority of these expenditures related to investments in connection with the relocation of our São Paulo operations to a substantially larger office in that year, as well as investments in communication systems and premises. For 2013, we expect that Banco BTG Pactual's main capital expenditures will amount to approximately R$86.1 million, mostly comprised of investments in premises (48.7%), technology infrastructure including data processing systems and communication systems (41.9%) and software (9.3%).

BTG Pactual Participations and BTGI did not have any capital expenditures in 2010, 2011 and 2012 and it does not expect to make any capital expenditures in the future**.**

Other Transactions (Notional Off-Balance)

Except for the derivatives, loans contracts to release, co-obligation and bank guarantees that Banco BTG Pactual provides to its clients for a fee and credit assignments in which Banco BTG Pactual retains the credit risk in the ordinary course of its business via its FIDC, neither BTG Pactual Participations, BTGI nor Banco BTG Pactual have any other transactions where its notional amount is recorded off-balance sheet. Banco BTG Pactual's total notional amount of co-obligations and bank guarantees outstanding was R$7,422.3 million and of loans to release was R$2,681.3 million as of December 31, 2012.

Risk Management

In the ordinary course, Banco BTG Pactual's and BTGI's (and, accordingly, BTG Pactual Participations') businesses are exposed to various risks inherent to investment banking activities and otherwise. The way these risks are managed directly affect Banco BTG Pactual's and BTGI' activities and operations and, consequently, results. Some of the most significant risks to which Banco BTG Pactual and BTGI (and, consequently, BTG Pactual Participations) are exposed are the following:

- market risk;
- credit risk and counterparty risk;
- liquidity risk;
- operational risk;
- reputational risk;
- tax risk; and
- legal and regulatory risk.

See "Risk Factors—Risks Relating Our Business and Industry." The manner in which these risks are identified and managed is essential for BTG Pactual's profitability. BTGI's and Banco BTG Pactual's management of these risks involves different levels of Banco BTG Pactual's management team and encompasses a series of policies and strategies.

Banco BTG Pactual Risk Management

Banco BTG Pactual has several committees responsible for monitoring risk exposures and for general oversight of its risk management process, as described further below. Banco BTG Pactual believes that the close involvement of its various committees (including their subcommittees) with the ongoing management and monitoring of its risks helps it foster its culture of rigorous risk control throughout the organization.

Banco BTG Pactual's committees consist of senior members of its business units and senior members of its control departments.

Banco BTG Pactual believes that the structure of its committees allows them to engage the whole organization and ensure decisions are readily and effectively implemented. The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is ultimately responsible for the management of BTG Pactual's risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by its Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of its risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring its liquidity risk, including its cash position and balance sheet usage, and for managing its capital structure and (viii) Audit Committee, which is responsible for the independent verification of the adequacy of its controls, and for assessing whether its books and records are kept appropriately.

BTGI Risk Management

BTGI risk management is conducted by the asset management unit of BTG Pactual, through Banco BTG Pactual, which also provides investment advisory services to our proprietary funds and other investments. For additional information regarding the asset management unit of BTG Pactual, see "Business—Business Units—Asset Management."

As further described under "—Banco BTG Pactual Risk Management" above, risk management for BTG Pactual, including its asset management business unit, is facilitated through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, there are a number of committees specifically responsible for asset management risk management, including the following:

- *Fund Management Committee,* which evaluates the macroeconomic scenario, analyzes fund positions and determines fund investment strategy;
- *Credit Committee*, which (i) establishes policies and procedures to identify, evaluate and control credit risks, (ii) analyzes the credit fundamentals of various issuers and other counterparties, taking into consideration sector and macroeconomic perspectives, (iii) tracks the credit profiles of issuing companies and other counterparties and (iv) defines credit limits; and
- *Pricing Committee*, which is an independent teams that conducts valuation of complex instruments and confirms valuation conducted by other parties.

Market Risk

Banco BTG Pactual is responsible for identifying the market risk of BTG Pactual, which it does by assessing the impact of variations in market risk factors (such as interest rates, exchange rates, underlying prices and indices) on the value of Banco BTG Pactual's and BTGI's (and, accordingly BTG Pactual Participations') assets and liabilities. Since most of Banco BTG Pactual's and BTGI's assets and liabilities are subject to market risk, Banco BTG Pactual has developed its own tools to make it possible to carry out real-time analysis of the exposures on portfolios. These tools enable Banco BTG Pactual to perform analysis of the impact of different scenarios on the portfolios, taking into consideration severe market movements observed in distressed markets in the past, or its projected stress scenarios. These analyses are integral to the risk management of BTG Pactual. Banco BTG Pactual measures its and BTGI's (and, accordingly, BTG Pactual

Participations’) market risk exposure using several methodologies of VaR, Stress Test, sensitivity analysis, which are consistently applied to all positions in its and BTGI’s inventory, allowing the comprehensive assessment of market risks across different portfolios. Banco BTG Pactual produces risk reports tailored to better support the management of risk exposure within each of BTG Pactual’s various business units and to allow proper senior management awareness of all relevant risk to which Banco BTG Pactual and BTGI are exposed. Market risk for BTG Pactual is primarily conducted through each of the business units separately. Banco BTG Pactual (including on BTGI’s behalf) uses a rigorous set of risk limits to manage overall risks and to control the risk levels for each business unit of BTG Pactual by implementing portfolio limits (VaR and Stress Test), concentration limits (risk factor, regional, issuer) and operational limits (control or liquidity restrictions). These limits are periodically reviewed by Banco BTG Pactual’s Risk Committee and usage is tracked and reported on a daily basis.

Market risk exposure can arise as a result of market-making, proprietary trading, underwriting, specialist and investing activities. Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads;
- equity price risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices;
- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- commodity price risks result from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, petroleum products, and precious and base metals.

Banco BTG Pactual Market Risk

The management of market risk is primarily the responsibility of each of BTG Pactual’s business units, as described above specifically with respect to the asset management business unit. If a business unit lacks specific power to manage a material market risk, it must transfer this market risk to a business unit permitted to hold such positions. In addition, Banco BTG Pactual’s organizational structure also includes an area devoted to market risk control, which reports directly to the management of Banco BTG Pactual and is independent from other business units.

The main responsibilities of the market risk area include the following:

- identifying and measuring market risks through the calculation of VaR, stress tests, the calculation of portfolio exposures and sensitivity analyses, which can be analyzed in real-time using the systems Banco BTG Pactual has developed;
- producing daily reports on risk values for senior management, including the senior management of each of BTG Pactual’s business units, which it believes provide the necessary support for proper risk management;
- establishing, controlling and reviewing the risk policies in effect, including risk limits;
- establishing and reviewing the risk calculation models Banco BTG Pactual uses;
- establishing and reviewing the stress test hypothetical scenarios;

- generating backtesting analyses, on a monthly or more frequent basis, with input of the actual results, in order to verify the risk estimates generated by Banco BTG Pactual’s internal system, as well as the parameters used in the calculations; and
- regularly monitoring incurred risks and investigating any apparent anomaly, including (i) inconsistencies between reported risks and effective results (which, in addition to backtesting exceptions, include any situation involving a significant divergence between them); (ii) inconsistencies between incurred risks and business unit strategies; and (iii) positions that are not being actively managed.

In order to align the risks incurred by BTG Pactual’s business units with anticipated results, and taking into consideration its capital base, each business unit is required to comply with established market risk limits. The market risk limits are managed pursuant to the following risk measures:

- portfolio limits, which include (i) VaR limits of 95% (1 day) per portfolio and per business unit and (ii) hypothetical stress test limits per regional business unit;
- concentration limits, which include exposure limits, such as the concentration of risk factors per countries, regions and issuers; and
- operational limits, which include limits used to cover occasional material risks that are not adequately captured by traditional metrics, including exposure to unexpected and unperceivable risk factors. They may also be defined when required by specific market conditions, including liquidity, or control deficiencies.

VaR, stress test and exposure limits are disclosed daily in the consolidated risk report issued by the market risk area, which includes the observations of each of BTG Pactual’s business units. The report is sent to the individuals responsible for each business unit and is the main tool for monitoring the limits.

Limits are reviewed on a quarterly or more frequent basis, taking into consideration both the historical risk use and the average and maximum expected exposure of each business unit. The market risk area proposes a limit, mainly considering Banco BTG Pactual’s current capital base, and submits the document for the Market Risk and Management committees’ approval.

All positions have a stop loss level that is set forth by each business unit and monitored by the market risk area.

BTGI Market Risk

Market risk management of BTG Pactual Participations’ portfolio is conducted by the asset management unit of BTG Pactual, through Banco BTG Pactual, which also provides investment advisory service to BTG Pactual Participations’ proprietary funds and other investments. For additional information regarding Banco BTG Pactual’s market risk controls, see "—Banco BTG Pactual Market Risk."

The Market Risk and Quantitative Research Area (MRQRA) within the asset management unit of BTG Pactual aims to provide analysis tools to BTGI and various other areas within Banco BTG Pactual as well as to third-parties to assist in its and BTGI’s investment decisions. The design and maintenance of systems and models enabling data interpretation is a critical component of the proper functioning of any activity operating within the financial markets. To serve this goal, the MRQRA’s systems and modeling relies on (i) the concept of the "efficient frontier" based on modern portfolio theory and (ii) risk factor estimates for rates and other indices. The MRQRA is also responsible for preparing customized risk reports on specific markets, which include technical knowledge on assets and market behavior that help structure specific operations and detect market opportunities.

While BTG Pactual's asset management unit has its own research team, it also relies on research developed by other business units as well as by other banks and brokers. Such third-party materials are selected based on the quality of the content and degree of specialization. A dedicated research team works exclusively on managing funds and the investment portfolio of BTG Pactual's asset management business unit.

BTGI believes the distinctive organizational structure of the asset management unit of BTG Pactual assists in the efficient management of market risk. Instead of a portfolio of funds or investment portfolio being delegated to individual managers under the responsibility of a management team (which is generally the case at other investment management companies), Banco BTG Pactual's asset management teams are organized according to areas of market expertise. In this way, each specialized team provides their expertise across all funds and investment portfolios. Investment strategies are allocated based on their risk profiles and profitability goals. Banco BTG Pactual's asset management teams are not allowed to enter into transactions where the counterparties are also managed by Banco BTG Pactual, thus avoiding structural positions opposed among funds.

The asset management business unit measures funds' market risk exposure using several methodologies of VaR (as described in greater detail under "VaR" below) as well as through the following processes:

- Stress Test. Stress test is performed by Banco BTG Pactual's market risk area (see "—Banco BTG Pactual Market Risk" above) in order to estimate the behavior of a fund in stress periods using one of the two models: (i) historical simulation, which identifies the behavior of the portfolio based on market oscillations in the past; and (ii) by scenarios, which simulates the behavior of the portfolio assuming a hypothetical oscillation in the market. There are five optimistic stress scenarios and five pessimistic stress scenarios. The scenarios are created jointly with Banco BTG Pactual risk and macroeconomic areas.
- Back Test. The back test is regularly performed in order to compare the performance of a fund with its estimated VaR for a specified period. The number of days on which returns are inferior to the estimated VaR must be verified to ensure such variances are within the reliance level defined by a fund's VaR. Cases in which performance exceeds the fund's estimated amount must also be verified.
- Stop Loss. All positions have stop loss level that is set forth by Banco BTG Pactual's asset management team and monitored by the market risk area.

Banco BTG Pactual's asset management team has autonomy, according to the mandates of the various funds and allocations defined by the Asset Management Committee, to liquidate all positions within such funds. Once a fund begins to operate on the market, the activities of fund managers are monitored by an on-line risk team, who is responsible for verifying that funds are operating within predefined risks limits.

In the event it is detected that a fund is not operating within risk limits (which we call "declassification"), Banco BTG Pactual's asset management team and the Asset Management Committee are simultaneously notified so that the activities causing such contravention are reversed. Following such reversal, a fund is "reclassified." If a manager refuses to obey any mandate to undertake the necessary activity so that a fund may be "reclassified," the fund administrator has authority to reverse the necessary positions. As of the date of this Prospectus, circumstances have never required a fund administrator to act in such capacity.

Value at Risk - VaR

VaR is a measure of the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. Along with stress testing, VaR is used to measure the exposure of Banco BTG Pactual's and BTGI's positions to market risk. Banco BTG Pactual uses historical simulation with full re-pricing of positions for the VaR computation, preserving real distributions and correlation between assets, not making use of Greek approximations and normal distributions. BTG Pactual's VaR can be measured and reported according to different time horizons, historical look-back windows and confidence levels. The accuracy of the risk system is tested through daily back-testing procedure that compares the adherence between VaR estimations and realized profit and loss (PnL).

Banco BTG Pactual and BTGI combined VaR

The following table sets forth Banco BTG Pactual and BTGI combined average daily VaR for the years indicated:

	For the year ended and as of December 31,		
	2010	**2011**	**2012**
Banco BTG Pactual average daily VaR	21.5	28.4	60.5
BTG Pactual Participations average daily VaR	16.4	25.1	47.6
Total combined average daily VaR	43.1	65.6	95.1
Average daily VaR as % of average combined equity(1)	1.04%	1.24%	1.26%

(1) Unaudited.

The increase of BTG Pactual's combined total average daily VaR in 2012 is mainly due to the deployment of capital raised as part of BTG Pactual's initial public offering. Banco BTG Pactual's average daily VaR as a percentage of average equity remained stable in 2012 compared to 2011. BTG Pactual's flexible business model provides that average VaR may vary, within certain levels, in the ordinary course of business dependent upon opportunities presented.

In 2011, the increase of BTG Pactual's combined total average VaR was mainly attributable to (i) the deployment of additional capital and (ii) higher trading volumes from BTG Pactual's sales and trading unit, due in part to the launch of Banco BTG Pactual's energy trading desk in October 2010.

In 2010, BTG Pactual's total average daily VaR was primarily impacted by the continuing ramp-up of sales and trading activities, including the acquisition of Banco BTG Pactual's energy trading desk in October 2010, and new asset classes.

Credit and Counterparty Risk

Credit risk represents the loss that Banco BTG Pactual or BTGI would incur if a counterparty or an issuer of securities or other instruments Banco BTG Pactual or BTGI hold fails to perform under its contractual obligations, or upon a deterioration in the credit quality of third parties whose securities or other instruments, including over-the-counter derivatives, Banco BTG Pactual and BTGI hold.

Banco BTG Pactual Credit and Counterparty Risk

Banco BTG Pactual's exposure to credit risk principally arises in the context of trading and investing activity and financing activities. To reduce these credit exposures, Banco BTG Pactual attempts to manage the risk exposure by (i) entering into agreements that enable it to obtain collateral from a counterparty on an upfront or contingent basis, (ii) seeking third-party guarantees of the counterparty's obligations, and/or (iii) transferring its credit risk to third parties using options, swaps and other derivatives contracts on the exchanges, particularly on BM&FBOVESPA.

The following table sets forth the distribution, by credit rating, of Banco BTG Pactual's credit exposures as of December 31, 2012 to financial instruments, excluding derivatives and securities under trading activities. The ratings shown below reflect its internal ratings assessment, consistently applied in accordance with the Central Bank standard ratings scale:

Rating	**As of December 31, 2012**
	(in R$millions)
AA	11,672
A	14,888

B	5,505
C	770
D	183
E	606
F	12
G	29
H	106
Total	33,770

The table below states Banco BTG Pactual's main exposures to credit risk, classified by economic activity of the counterparties as of December 31, 2012:

	Gover-nment	**Financial institutions**	**US Agencies**	**Services**	**Investment funds**	**Indivi-duals**	**Industry**	**Energy**	**Other(i)**	**Total**
Cash and balances at Central Bank	472.5	551.9	-	-	-	-	-	-	-	1,024.4
Financial Assets held for trading	22,366.7	974.3	13,913.8	3,886.7	-	-	250.0	2,938.1	18,263.2	62,592.7
Financial assets designated at FVTPL	6,324.1	-	-	-	-	-	-	-	-	6,324.1
Derivative financial instruments	-	7,741.4	-	-	-	3.3	-	641.3	1,608.0	9,993.9
Open market investments	385.0	-	-	2,116.2	13,225.8	-	-	-	-	15,726.9
Other loans and receivables	-	-	-	4,919.0	-	2,512.0	2,301.4	-	592.1	10,324.5
Amounts receivable from Banks	-	1,917.8	-	-	-	-	-	-	-	1,917.8
Held-to-maturity financial assets	4,100.4	-	-	-	-	-	-	-	-	4,100.4
Total	33,648.7	11,185.5	13,913.8	10,921.9	13,225.8	2,515.3	2,551.4	3,579.4	20,463.2	112,004.9

(i) Represents primarily exposure at tradable shares and investment funds quotes. It comprises rural, clearing, real estate and other counterparties.

BTGI Credit and Counterparty Risk

The credit risk management of BTGI's portfolio is conducted by the asset management unit of BTG Pactual, through Banco BTG Pactual, which also provides investment advisory service to BTGI's proprietary funds and other investments.

BTG Pactual's asset management unit analyzes credit risk limits per issuer primarily through its Credit Committee. The process of credit risk analysis for a particular asset and the establishment of limits mainly consider counterparty's ability to pay but also consider reputational consequences and custody capabilities. There is no formal deadline for credit analysis. Credits in any given portfolio are constantly monitored and evaluated in light of pertinent news related to an issuer or other counterparty, such as a company's results and operating segment as well as macroeconomic conditions, among other factors.

There are three stages in the selection process for credit assets, as described below:

- First, there is a detailed analysis of the credit bases of the issuers and other counterparties, with strong emphasis on cash flow (possibility of payment) and capital structure;
- Second, there is a broad analysis of the qualitative features of the issuer or other counterparty, with special focus on quality of management, shareholder structure, strategic guidance, market share, capacity of distribution, value of the brand, among other factors. The approach taken at

this stage is dictated by the nature of the issuer/counterparty (financial or not) and considers risks specific to whatever sector of the economy such party operates in; and

- Finally, a stress analysis is performed, whereby the credit analyst tries to foresee the impact of possible events (regulatory, exchange, etc.) that might impact the credit profile of the issuing company through the term of the credit instrument.

New credit operations are analyzed individually through studies made by credit analysts in the asset management unit, taking into account macroeconomic, sector-specific and other factors relevant to a particular issuer or other counterparty. Such analysis seeks to assess the operational and financial capacity of the issuing company, as well as its asset structure. After this analysis, the Credit Committee within the asset management unit meets to define the approval and pricing of a credit asset.

In the event of default (or an imminence of default), each case is analyzed separately, first by Banco BTG Pactual's asset management team to understand the reason for such default and, next, by the Credit Committee to reevaluate the structure of the asset considering the actual condition of the issuing company at that moment. Banco BTG Pactual's asset management team, jointly with the Credit Committee, then makes a decision regarding the appropriate course of action. In general, Banco BTG Pactual will exercise its rights to impose penalties, including fines and payments of interest, and also may file the defaulting company's name with Brazil's credit risk bodies. A second step would be pursuing legal action in court.

The asset management unit additionally manages credit risk through reliance on a list of approved brokers to trade on stock exchanges. The asset management team performs rigorous due diligence before using any broker agency and its results are submitted to the asset management unit's Approval Committee, which draws on resources from various areas, including Compliance, Operations, AML, Risk and Credit Bureau of Operations. The due diligence process involves: (i) that each broker agency complete a questionnaire and submit legal documents; (ii) a survey of news related to the broker agency and its members; and (iii) a visit to the broker agency by the asset management team. The approval of a broker agency by the asset management team depends on analysis and knowledge of its activities and controls, appraisal of its ability to execute its business in an efficient manner, its operational procedures of settlement and also mitigation of possible risks to the image of BTG Pactual's asset management unit. Through the due diligence process, the asset management team aims to understand a broker agency's legal responsibilities and requirements, the experience of its executives and contributors, present and potential operation of the broker agency, authorization form regulating agencies, control for preventing money laundering crimes, ability to render services of execution and settlement of operations, research services, among others. Subsequent to the approval process, the broker agency is periodically evaluated by specific monitoring mechanisms that may suggest its substitution. The asset management team also distributes transactions among 10 brokers who are in constant rotation and none of whom should bear more than 25% of the monthly volume.

The table below states BTGI's (and, accordingly, BTG Pactual Participations') main exposures to credit risk, classified by economic activity of the counterparties as of December 31, 2012:

	Govern-ments	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash on banks	-	78.8	-	-	-	-	78.8
Open market	-	11.2	-	-	-	-	11.2
Derivative financial	-	510.2	-	-	-	-	510.3
Financial assets held for trading	20,165.2	600.8	1,832.3	366.3	-		22,964.6
Financial assets available for sale	-	-	-	1,044.9	-	-	1,044.9

Loans and receivables	-	-	-	168.3	550.7	2.8	721.8
Due from brokers	-	1,238.8	-	-	-	-	1,238.8
Non-current assets held	-	-	-	338.5	-	-	338.5
Investment in associates	-	-	-	571.4	-	-	571.4
Other assets	-	-	-	-	-	336.0	336.0
Total assets	**20,165.2**	**2,439.8**	**1,832.3**	**2,489.4**	**550.7**	**338.8**	**27,816.2**

Derivative Contracts

Derivative contracts are financial instruments, such as futures, forwards, swaps or option contracts, which derive their value from underlying assets, indexes, reference rates or a combination of these factors. Derivative instruments may be entered into by Banco BTG Pactual or BTGI in privately negotiated contracts, which are often referred to as over-the-counter derivatives, or they may be listed and traded on an exchange.

In BTG Pactual’s sales and trading and principal investments businesses, BTGI and Banco BTG Pactual actively enter into derivative transactions with clients and counterparties in different markets in Brazil and abroad. The use of derivatives facilitates trading activities, as these instruments typically permit the efficient transference and hedging of risks, a feature that is especially desirable given the dynamism of the markets in which BTG Pactual operates.

Derivatives are used in many of the businesses of BTG Pactual, and it believes that the associated market risk can only be understood relative to the underlying assets or risks being hedged, or as part of a broader trading strategy. Accordingly, the market risk of derivative positions is managed in conjunction with all of BTG Pactual’s other non-derivative risk.

As of December 31, 2012, Banco BTG Pactual and BTGI held R$624.9 million and R$191.0 million, respectively, in collateral against these over-the-counter derivative exposures. This collateral consists predominantly of cash and government bonds and is usually received by Banco BTG Pactual and BTGI under agreements entitling Banco BTG Pactual and BTGI to require additional collateral upon specified increases in exposure or the occurrence of negative credit events.

In addition to obtaining collateral and seeking netting agreements, BTG Pactual attempts to mitigate default risk on derivatives by entering into agreements that enable it to terminate or reset the terms of transactions after specified time periods or upon the occurrence of credit-related events, and by seeking third party guarantees of the obligations of some counterparties. Derivatives transactions may also involve the legal risk that they are not authorized or appropriate for a counterparty for which documentation has not been properly executed or that executed agreements may not be enforceable against the counterparty. BTG Pactual attempts to minimize these risks by obtaining advice of counsel on the enforceability of agreements as well as on the authority of counterparties to effect the derivative transaction.

Liquidity and Funding Risk

Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. Accordingly, BTG Pactual has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both specific and broader industry or market liquidity events. BTG Pactual’s principal objective is to be able to fund itself and to enable Banco BTG Pactual’s and BTGI’s core businesses to continue to generate revenues, even under adverse circumstances. For more details, see "—Liquidity."

Reputational Risk

Banco BTG Pactual and BTG Pactual Participations are also subject to reputational risks. For a description of such risks, see "—Significant Factors Materially Affecting Banco BTG Pactual’s and BTG Pactual Participations’ Financial Condition and Results of Operations—Reputational Risk" and "Risk Factors."

Operational Risk

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures. Operational risk may also cause reputational harm. Thus, efforts to identify, manage and mitigate operational risk must be equally sensitive to the risk of reputational damage as well as the risk of financial loss.

BTG Pactual manages operational risk through the application of long standing, but continuously evolving, firm-wide control standards which are supported by the training, supervision and development of its people; the active participation and commitment of senior management in a continuous process of identifying and mitigating key operational risks across BTG Pactual; and a framework of strong and independent control departments that monitor operational risk on a daily basis. Together, we believe these elements form a strong firm-wide control culture that serves as the foundation of BTG Pactual’s efforts to minimize operational risk exposure.

Operational Risk Control, a risk management group independent of BTG Pactual’s revenue-producing units, is responsible for developing and implementing a formalized framework to identify, measure, monitor, and report operational risks to support active risk management across BTG Pactual. This framework under which BTG Pactual operates, which evolves with the changing needs of its businesses and regulatory guidance, incorporates analysis of internal and external operational risk events, business environment and internal control factors, and scenario analysis. The framework has the ultimate goal of ensuring that BTG Pactual always operates under the highest standards of quality in its business processes, protecting its earnings and reputation, providing regular reporting of its operational risk exposures to BTGI’s and Banco BTG Pactual’s board of directors, risk committees and senior management.

Our specific operational risk is managed through BTG Pactual’s asset management unit, through Banco BTG Pactual, which provides investment advisory service to our proprietary funds. The operational risk area of the asset management unit aims to facilitate the easy identification of potential operational failures and to mitigate such risks through early detection and prearranged responses. The evaluation of processes, self-certification of controls and external and internal auditing all assist in identifying possible risks. The asset management unit’s operational risk team reports directly to Banco BTG Pactual’s Chief Operations Officer and is deeply involved with all facets of Banco BTG Pactual’s asset management activities, including its daily operations as well as the launch of new products and services.

Tax Risk

Tax risk includes the risk of exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory assessment as a result of non-compliance with applicable legal and regulatory requirements. See "—Principal Factors Affecting Banco BTG Pactual’s and BTG Pactual Participations’ Financial Condition and Results of Operations—Tax Risk."

Legal and Regulatory Risk

Banco BTG Pactual and BTGI (and, accordingly, BTG Pactual Participations) are subject to significant legal and regulatory risks. See "Risk Factors—Risk Factors Relating to Our Business and Industry," "Risk Factors—Risk Factors Relating to Brazil," and "Risk Factors—Risk Factors Relating to the Regulatory

Environment." Legal and compliance departments are responsible for mapping, controlling and preventing these risks by supporting all of BTG Pactual's business units and administrative areas. BTG Pactual's legal department has 30 professionals divided into groups specialized in investment banking, asset management, principal investments and trading, wealth management, litigation and corporate affairs. BTG Pactual's compliance department has 52 professionals who are responsible for the development and maintenance of its internal controls regarding regulatory matters such as anti-money laundering, information barriers and securities trading restrictions. The most important risks that BTG Pactual may potentially face are managed with the involvement of two or more members of the Senior Management Team. Our specific legal and regulatory risks are managed by compliance and legal personnel devoted to BTG Pactual's asset management and principal investments units.

INDUSTRY OVERVIEW

Industry

Most of our operations are conducted in Brazil. Accordingly, we are significantly affected by the general economic environment in Brazil. In addition, we derive substantial revenues from non-Brazilian securities and, therefore, are also subject to global economic conditions, and in particular, fluctuations in worldwide financial markets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Macroeconomic Environment."

The table below sets forth selected key industry indicators for the periods indicated:

	Key Industry Indicators					
	For the year ended December 31,					**CAGR**
	2008	**2009**	**2010**	**2011**	**2012**	**2008-2012**
General economic activity	**(Volume in US$ billions, unless otherwise indicated)**					
Worldwide gross domestic product[1]	61,213.2	57,875.5	63,134.7	69,971.5	-	n.a.
Brazil gross domestic product[2]	1,650.2	1,624.9	2,142.9	2,474.5	-	n.a.
Advisory activities/financing						
Worldwide equity issued[3]	635.2	907.7	896.3	629.5	661.8	1.0%
Worldwide debt issued[3]	2,376.2	3,680.4	3,073.8	3,081.8	3,903.9	13.2%
Worldwide mergers and acquisitions[4]	2,868.3	2,009.8	2,395.6	2,578.7	2,579.5	(2.6)%
Worldwide AUM (US$ trillion)[5]	64.2	72.5	78.7	79.8	85.2	7.3%
World equity markets						
NYSE Euronext (U.S.) equity market capitalization[6]	9,208.9	11,837.8	13,394.1	11,795.6	14,085.9	11.2%
Brazilian market capitalization[6]	592.0	1,337.2	1,545.6	1,228.9	1,227.4	20.0%
IBOVESPA Index (in points)[7]	37,550.3	68,588.4	69,304.8	56,754.1	60,952.1	12.9%
Dow Jones Industrial Average (in points)[7]	8,776.4	10,428.1	11,577.5	12,217.6	12,720.5	9.7%
S&P 500 (in points)[7]	903.3	1,115.1	1,257.6	1,257.6	1315.4	9.9%
BM&FBOVESPA average daily volume[8]	3.0	2.7	3.7	3.9	3.7	5.4%
Brazilian economic data						
CDI rate[9]	12.3%	9.8%	9.7%	11.6%	8.4%	(9.2)%
SELIC rate[10]	13.8%	8.8%	10.8%	11.0%	7.25%	(14.8)%
Inflation (IPCA)[11]	5.9%	4.3%	5.9%	6.5%	5.8%	(0.3)%

Sources:

(1) World Bank
(2) IBGE
(3) Dealogic Analytics
(4) Thomson Financial
(5) International Financial Services London (2012 forecast)
(6) World Federation of Exchanges
(7) Bloomberg
(8) BM&FBOVESPA
(9) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, is the average daily interbank deposit rate in Brazil (at the end of each month and annually), as reported by OTC Clearing House (*Balcão Organizado de Ativos e Derivativos*), or CETIP.
(10) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC, as reported by the Central Bank.
(11) IBGE

INDUSTRY OVERVIEW

Investment Banking

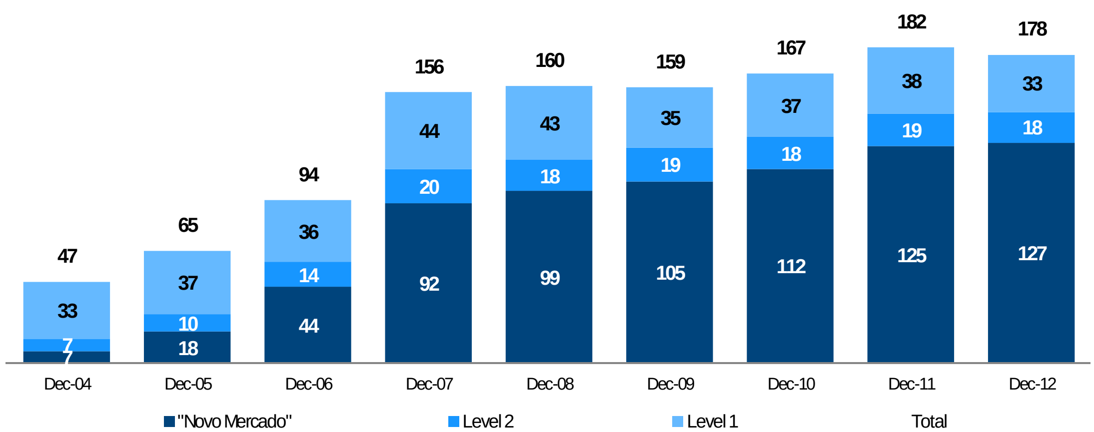
The investment banking industry in Brazil is intensely competitive and comprised of Brazilian and international banks, financial institutions and advisory boutiques. These entities provide a wide range of services, including underwriting and placement services in capital raising transactions through public and private equity markets, M&A and advisory services, as well as other financial and structured products and services for corporations, financial institutions, investment funds, governments and individuals.

The capital markets segment for larger transactions is dominated by the top five financial institutions—mainly large banks. However, recently local wholesale banks have increased their position in this market. The M&A and advisory market is slightly less concentrated, primarily because this market also comprises smaller M&A investment boutiques and includes significant variation with respect to transaction size.

Equity Capital Markets

Over the last several years, equity capital markets in Brazil have shown heightened activity due to favorable market conditions. The attractiveness of BM&FBOVESPA is reflected by the number of companies that have become publicly traded on the "Novo Mercado" and at corporate governance "Level 1" and "Level 2" in recent years. As of December 31, 2012 there were 178 companies listed on BM&FBOVESPA at corporate governance "Novo Mercado" "Level 1" and "Level 2," an increase of 278.7% compared to 47 companies that were listed in December 2004.

The graph below shows the number and listing segment of companies publicly traded on BM&FBOVESPA as of the dates indicated:



Source: BM&FBOVESPA

The fees payable to financial institutions underwriting equity capital market transactions are typically a percentage of the transaction's value, generally paid only when the transaction settles. The fee is typically comprised of a base fee and an incentive fee, which are determined upon the completion of the transaction at the discretion of the company and/or shareholders.

The underwriters in equity offerings are typically investment banks, large commercial or retail banks with investment banking divisions and other advisory boutiques firms.

The table below shows the ranking of the most active banks in the Brazilian equity capital markets from 2004 until December 31, 2012:

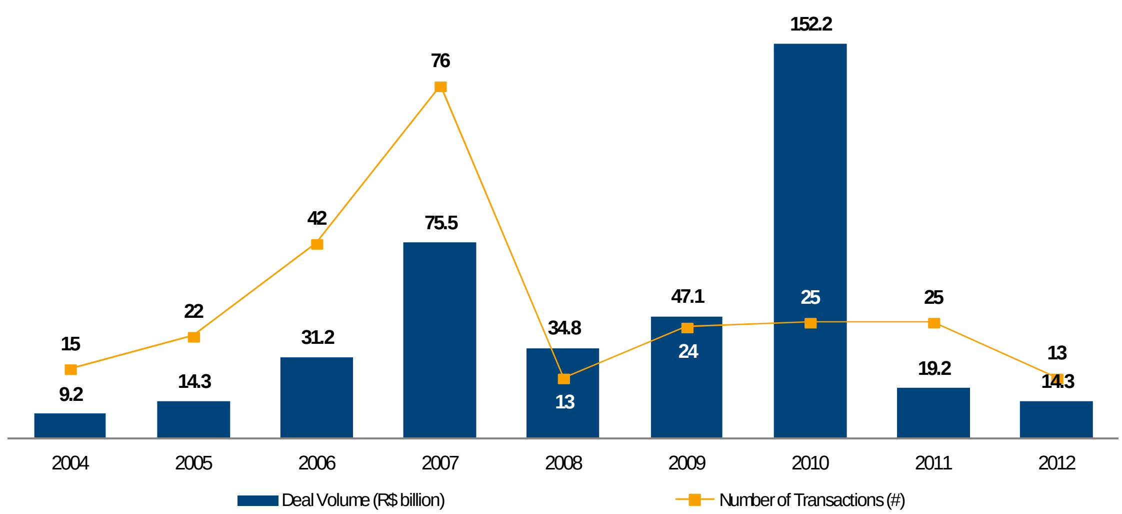
INDUSTRY OVERVIEW

Bank	Ranking: volume	Ranking: number of offerings	Volume (in R$ millions)	Number of offerings
Banco BTG Pactual S.A.	2	1	49,758	126
Banco de Investimentos Credit Suisse (Brasil) S.A.	3	2	45,488	109
Banco Itaú BBA S.A.	1	3	53,988	109
Banco Santander (Brasil) S.A.	4	4	30,025	44
Banco Merrill Lynch de Investimentos S.A.	6	4	24,085	44
Banco Bradesco BBI S.A.	5	6	26,436	40
Banco JP Morgan S.A.	9	7	12,441	31
Banco Morgan Stanley S.A.	8	8	22,048	26
Banco Citibank S.A.	7	9	22,095	23
Banco do Brasil Banco de Investimento S.A.	10	10	9,028	19

Source: ANBIMA

In 2008, despite worsening market conditions and the onset of the global economic and financial crisis, there were 13 equity offerings in Brazil, raising R$34.8 billion in capital. In 2009, there were 24 equity offerings, raising R$47.1 billion in capital, and, in 2010, the number of equity offerings remained relatively stable, with a total of 25 equity offerings, raising R$152.2 billion. This considerable increase in the capital raising in 2010 was mainly due to a Petrobras follow-on equity offering in the amount of R$120.2 billion. During the first half of 2011, markets were generally receptive to equity offerings; however, during the second half of 2011, the unstable and uncertain global economic environment, which was reflected to some degree by concerns with fiscal imbalances in Europe, ultimately impacted the equity capital markets in Brazil. From July 2011 until the end of 2011, equity offerings in Brazil generally ceased, with only two follow-on offerings occurring in October 2011. As a result, there were a total of 25 equity offerings in Brazil in 2011, raising R$19.2 billion in capital. During 2012, there were a total of 13 equity offerings in Brazil, raising R$14.3 billion, with activity being concentrated during the second and fourth quarters of the year. Activity has been increasing since year end 2012 and equity capital markets are demonstrating a positive trend in the beginning of 2013. According to the CVM, for the entire period between 2008 and 2012, there was a total of R$202.1 billion raised in equity offerings in Brazil, of which R$56.3 billion were IPOs and R$211.2 billion were follow-on offerings.

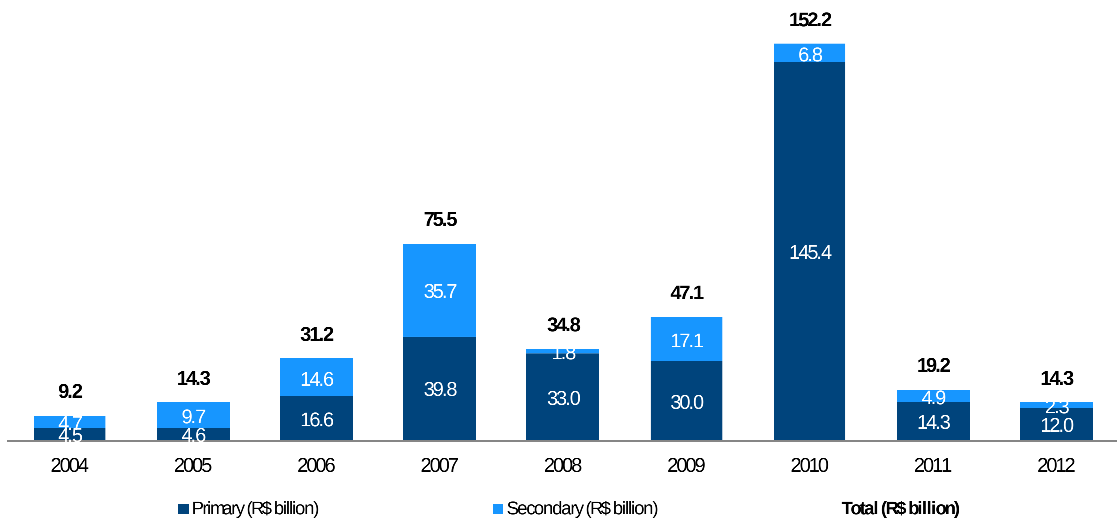
The graph below presents the number and volume (in R$ billions) of offerings for the periods indicated:



Source: CVM

Companies access capital markets for several reasons, including strengthening their balance sheets, funding their growth strategies and optimizing their capital structure. To accomplish any of these objectives, a company often participates in a primary equity offering. Additionally, a shareholder or group of shareholders may request or require a company to sell equity stakes in the company for a variety of reasons, in which case the company would carry out a secondary offering. For example, many private equity funds use secondary offerings as an exit strategy to divest their initial investments in a company. Secondary offerings may positively impact the asset and wealth management industry to the extent to which selling shareholders become potential new clients.

The graph below shows the breakdown between primary and secondary offerings for the periods indicated:



In terms of volume (in R$ billions), primary offerings represented 94.9% of the total offerings in 2008, 63.6% in 2009, 95.5% in 2010, 74.7% in 2011 and 84.2% in 2012. This breakdown shows that companies accessed the equity capital markets mostly to raise new capital between 2008 and 2012.

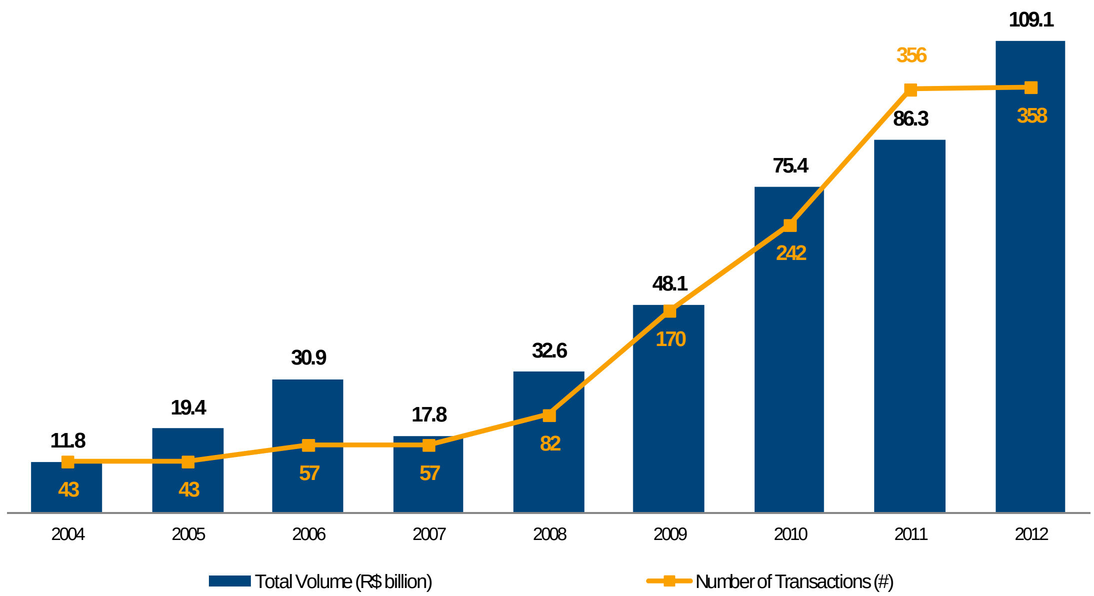
Debt Capital Markets

Debt capital markets have also shown positive growth in the last several years. In order to reach an optimal capital structure and finance business activities, many companies also issue debt in public offerings.

In 2008, there was a total of 82 debt offerings in Brazil in an aggregate amount of R$32.6 billion according to ANBIMA, as compared to 358 debt offerings in an aggregate amount of R$109.1 billion in 2012, representing a CAGR of 35.3% in the aggregate *reais* amount of offerings for such period. Between 2008 and 2012, there was a total of 1,208 debt offerings by Brazilian companies in Brazil in an aggregate amount of R$351.4 billion.

INDUSTRY OVERVIEW

The graph below shows the number and volume (in R$ billions) of debt offerings in Brazil consummated by Brazilian companies for the periods indicated:



Source: ANBIMA

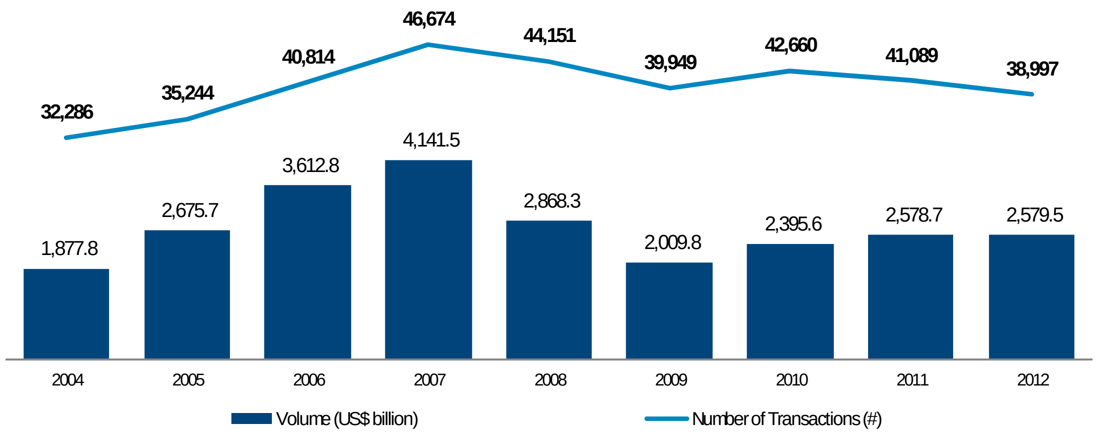
M&A and Advisory

The M&A and advisory segment consists of a broad range of services with respect to mergers and acquisitions, divestitures, restructurings, spin-offs and reorganizations. M&A and advisory services are typically rendered by investment banks, boutique advisory firms, financial advisory firms, law firms and other financial institutions.

M&A advisory services generally generate the majority of revenues within the advisory services segment. More recently, the volume of M&A transactions has decreased from its peak in 2007 to US$2,868.3 billion in 2008, US$2,009.8 billion in 2009, US$2,395.6 billion in 2010, US$2,578.7 billion in 2011 and US$2,579.5 billion in 2012. This decrease in volume coincided with the onset of the 2008 global economic and financial crisis. In that uncertain economic environment, many companies faced challenges with respect to revenues, profitability and cash balance, thus causing, in some cases, changes to companies' strategic planning and positioning for the medium-term. As a result, transactions were postponed or even terminated. In 2011, the effects of the European debt crisis continued to pose challenges for companies and their operations, which have impacted their investment and M&A decisions. Recent challenges in Europe due to the Greece debt crisis and Spanish banking crisis commencing in the beginning of 2012 negatively impacted M&A activity during 2012.

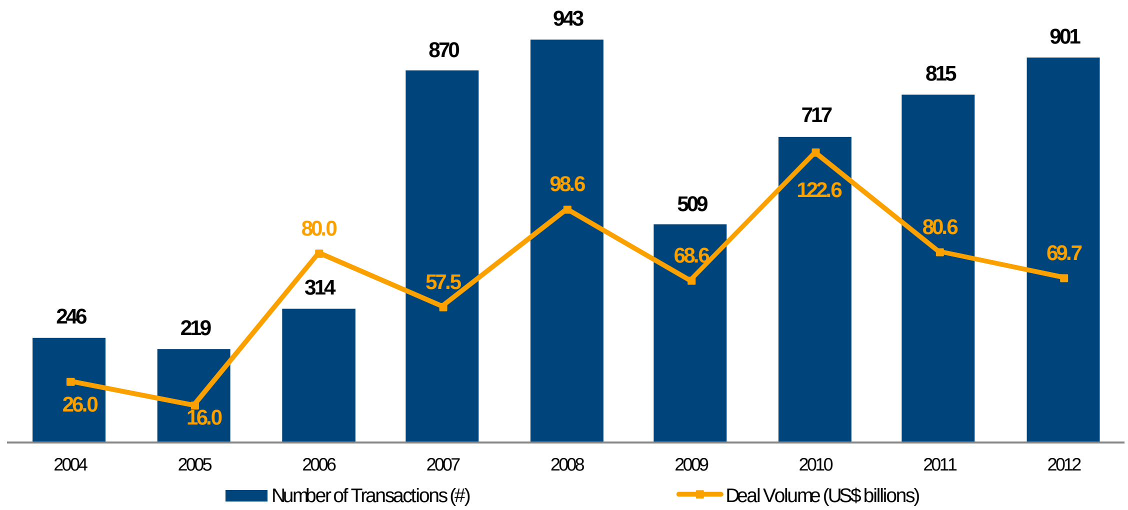
INDUSTRY OVERVIEW

The graph below shows the number and total deal volume (in US$ billions) of announced global M&A transactions for the periods indicated:



Source: Thomson Financial

Despite the recent global M&A environment, the Brazilian M&A market has generally remained strong. In 2012, total deal volume (in US$ billions) of announced M&A transactions in Brazil was US$69.7 billion, in a total of 901 transactions. Because M&A transactions can take several months to close, M&A activity reached US$98.6 billion in 2008, mostly stemming from activity from prior years. During 2009 and 2010, the Brazilian economy underwent a strong consolidation phase, where more capitalized companies had the opportunity to pursue strategic acquisitions in order to leverage their businesses, gain market share and pursue complimentary business lines. In 2009, due to the effects of the global economic and financial crisis, M&A activity in Brazil totaled US$68.6 billion. As economic conditions improved in 2010, with higher growth rates, increased domestic consumption levels and a favorable international environment, the Brazilian M&A market reached its five-year peak, with a total transaction volume of US$122.6 billion. Buoyed by market confidence, M&A activity in Brazil remained strong during the first half of 2011, however, activity slowed during the second half of 2011 due to the impact of the European debt crisis. Although the European debt crisis deepened during the end of 2011 and the beginning of 2012, Brazilian M&A activity remained relatively strong during 2012 due to confidence in the Brazilian macroeconomic environment. The graph below shows the number and total deal volume (in US$ billions) of announced M&A transactions in Brazil for the periods indicated:



Source: Thomson Financial

Sales and Trading

Sales and trading is a large and diversified industry segment consisting of a variety of customer-driven market-making and trading activities. The primary products of sales and trading include market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes. Sales and trading includes both FICC (fixed income, currency and commodities) and equity sales and trading activities.

In Brazil, equities, futures and certain other derivatives are primarily traded on BM&FBOVESPA, while fixed income, foreign exchange and credit-linked derivatives, as well as fixed income securities and government bonds, are primarily traded on the OTC market. In the international markets, we trade most of the derivatives and debt instruments on the OTC market, while equities in the form of American Depositary Receipts, or ADRs, are traded on the NYSE.

The liquidity of the instruments that we trade is critical in attracting and retaining customers. The liquidity of an instrument (i.e., the ease and speed with which it can be acquired or sold with the least impact on price) depends on many factors, including the number of participants and intermediaries trading in an instrument and the availability of reliable reference prices. Liquid markets are characterized by efficiency in the execution of trades and large trading volumes. Illiquid markets are characterized by having few participants, low levels of transparency in price discovery and low trading volumes. The volume of contracts traded on an exchange is widely recognized as a liquidity indicator, as is the volume of public securities traded in the interbank market.

Derivatives Trading

Exchange-traded derivatives markets trade standardized derivatives contracts on an organized trading floor and/or electronic trading system and facilitate price discovery in relation to supply and demand. OTC derivatives markets trade customized derivatives contracts and, unlike exchange-traded markets, facilitate direct trading between parties in a wide range of contracts with specific characteristics in terms of size, underlying assets, maturity and settlement criteria. The main contracts traded on the OTC market are forwards, swaps and options. The main derivatives instruments are futures, options and swaps linked to agricultural commodities (including physical delivery commodities such as metals and energy products), interest rates, equity indices, price indices, foreign currencies and other assets or securities.

These instruments, which are used in nearly every sector of the world economy, enable risk management and the ability to execute different investment strategies. Interaction between participants (those seeking to mitigate and manage risks and those assuming risks with the expectation of making a profit) contribute to the creation of active, liquid and competitive markets.

According to the Futures Industry Association, for the year ended December 31, 2012, the largest exchange in terms of number of futures and derivatives contracts traded was the CME Group, with approximately 1.56 billion contracts. According to this ranking, BM&FBOVESPA was the sixth largest derivatives exchange in the world with approximately 866 million contracts.

The table below shows the top ten derivatives exchanges in the world in terms of the number of derivatives contracts traded according to data published by the Futures Industry Association for the periods indicated:

		Number of Contracts		
Rank	**Exchange**	**Jan-Jun 2011**	**Jan-June 2012**	**Change (%)**
1	CME Group (includes CBOT and Nymex)	1,707,753,108	1,555,139,920	(8.9)%
2	Korea Exchange	2,123,575,352	1,393,952,642	(34.4)%
3	Eurex (includes ISE)	1,420,888,471	1,262,493,530	(11.1)%
4	NYSE Euronext (includes all E.U. and U.S. Markets)	1,168,876,566	1,025,021,760	(12.3)%
5	National Stock Exchange of India	1,047,731,045	971,832,759	(7.2)%
6	BM&FBOVESPA	733,931,021	865,563,928	17.9%
7	CBOE Group (includes CFE and C2)	595,206,770	605,315,992	1.7%
8	NASDAQ OMX Group (includes U.S. and Nordic Markets)	653,287,503	567,972,994	(13.1)%
9	Russia Trading Systems Stock Exchange	443,900,690	506,115,520	14.0%
10	Multi Commodity Exchange of India (includes MCX SX)	567,633,623	489,311,649	(13.8)%

Source: Futures Industry Association

The exchange-traded derivatives market has recently experienced strategic changes driven by the following factors:

- market participants have become increasingly demanding and have replaced passive investment strategies with active ones, putting pressure on the financial services segment to use sophisticated risk management techniques. In particular, financial institutions and international hedge funds have committed increasing amounts of capital to futures and options trading;

- deregulation and market liberalization in the financial services segments in the United States, Europe and Asia have expanded customer access to products and markets, lowering regulatory barriers to the introduction of innovative products and encouraging consolidation in the sector; and

- technological advances have contributed to the decentralization of exchanges and the introduction of alternative trading systems. By using electronic trading platforms, market participants worldwide can trade certain products virtually 24 hours a day and, in some cases, without the use of intermediaries.

According to BM&FBOVESPA, the average daily traded volume of futures and options contracts has grown from 1,740.3 thousand contracts in 2008 to 2,898.7 thousand contracts in 2012, which represents a CAGR of 10.7% for such period.

INDUSTRY OVERVIEW

The tables below show the average daily traded volume of the securities listed below on BM&FBOVESPA for the periods indicated:

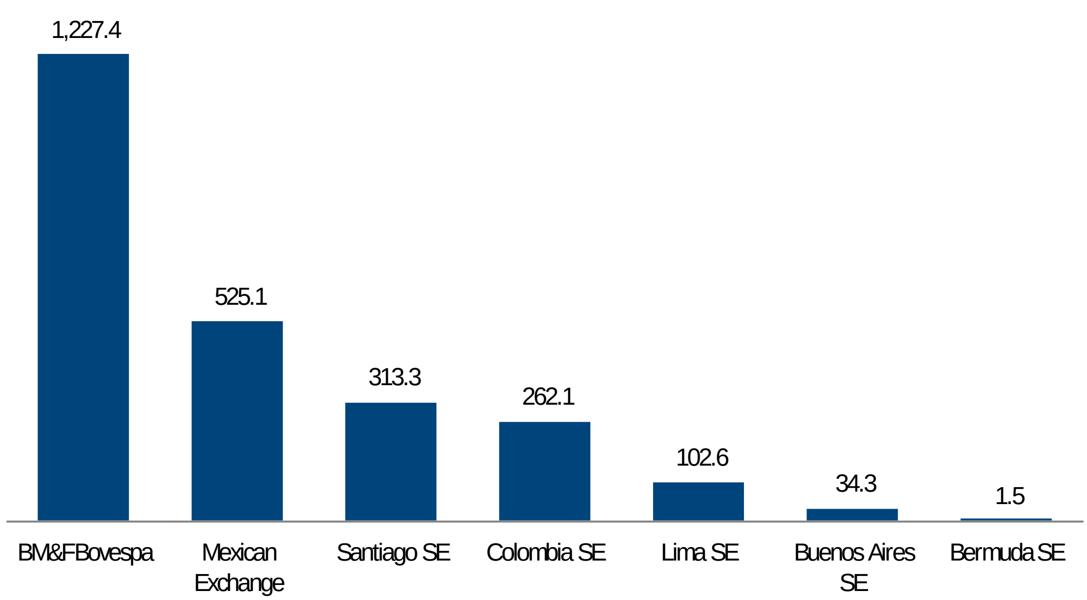
	For the year ended December 31,					CAGR
	2008	2009	2010	2011	2012	2008-2012
Interest rates in Brazilian *reais*	788.7	843.5	1,683.6	1,797.2	1,925.7	25.0%
Foreign exchange rates	534.9	447.1	54.6	495.5	493.9	(2.0)%
Stock indices	87.6	80.0	89.4	123.3	143.1	13.0%
Interest rates in U.S. dollars	94.3	78.3	89.7	145.2	149.8	12.3%
Commodities	14.9	10.2	12.9	13.2	11.2	(6.9)%
Web trading	40.5	52.6	75.6	114.4	165.7	42.3%
OTC contracts	12.4	9.3	12.9	11.7	9.2	(7.3)%
Total	**1,573.3**	**1,521.0**	**2,504.7**	**2,700.6**	**2,898.7**	**16.5%**

Source: BM&FBovespa

Stock Exchanges

Stock exchanges are organized and centralized markets, which facilitate the trading and price formation of securities issued by companies, funds and other vehicles for the purpose of raising capital. For most stock exchanges, depositary, clearing and settlement services are rendered by independent organizations, although some stock exchanges, including BM&FBOVESPA, have adopted a vertical structure, integrating all of these activities into a single medium. BM&FBOVESPA is by far the largest stock exchange in Latin America in terms of total domestic market capitalization.

The graph below shows the market capitalization (in US$ billions) of the largest stock exchanges in Latin America as of December 31, 2012:



Source: World Federation of Exchanges

The table below sets forth information on the value traded in the securities markets for the periods indicated:

Total Financial Trading Value	For the year ended December 31, 2008	2009	2010	2011	2012	CAGR 2008-2012
	(R$ millions, except percentages)					
BM&FBOVESPA segment stocks and equity derivatives	1,374.5	1,300.2	1,602.3	1,616.2	1,782.2	6.7%
Cash market	1,285.4	1,216.2	1,489.8	1,518.0	1,687.9	7.0%
Forward market	44.3	23.7	36.4	29.4	25.4	(12.9)%
Options market	44.9	60.3	76.1	68.8	68.9	11.3%
Fixed income and others	1.3	0.4	0.4	0.3	1.5	2.9%
BM&FBOVESPA total	**1,375.8**	**1,300.6**	**1,602.7**	**1,616.4**	**1,783.7**	**6.7%**

Source: BM&FBOVESPA

The average daily traded value of the securities listed below increased over the past five years as shown in the following charts:

Average Daily Traded Value	For the year ended December 31, 2008	2009	2010	2011	2012	CAGR 2008-2012
	(R$ millions, except percentages)					
BM&FBOVESPA segment stocks and equity derivatives	5,520.3	5,285.2	6,486.9	6,490.6	7,244.8	7.0%
Cash market	5,162.3	4,943.7	6,031.6	6,096.3	6,861.3	7.4%
Forward market	177.8	96.5	147.4	118.0	103.4	-12.7%
Options market	180.2	245.0	307.9	276.3	280.1	11.7%
Fixed income and others	5.2	1.6	1.8	1.1	6.0	3.2%
BM&FBOVESPA total	**5,525.5**	**5,286.8**	**6,488.6**	**6,491.6**	**7,250.7**	**7.0%**

Source: BM&FBOVESPA

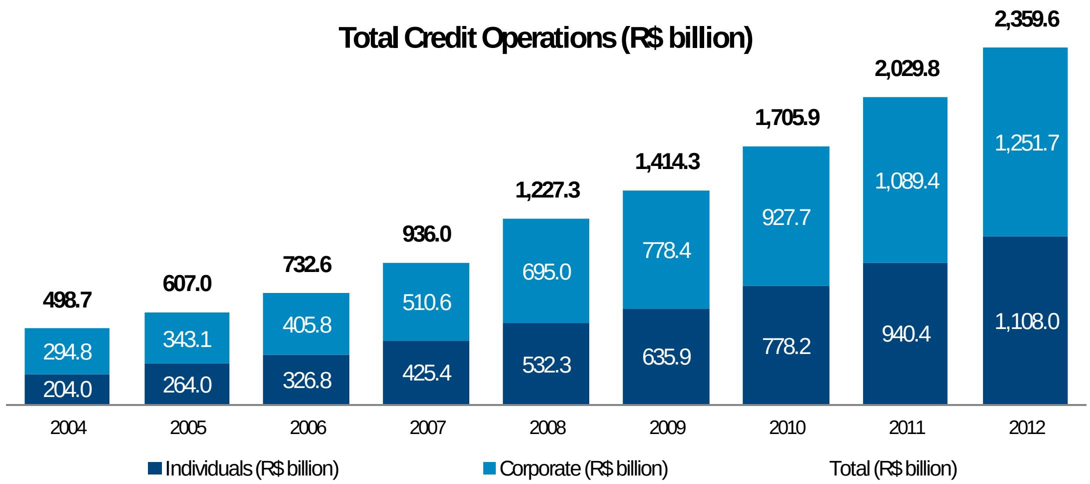
Brazilian Lending Operations

The Brazilian banking industry underwent important structural changes in the last two decades, from an environment of high inflation during the 1980s and the beginning of the 1990s, to an environment marked by low rates of inflation and greater macroeconomic and monetary stability beginning in 1994, when the *Real Plan* was introduced. Because of the macroeconomic stability resulting from the implementation of the *Real Plan*, there has been a steady growth in demand for credit in Brazil. In addition, Brazilian banks have recently diversified the types of financial products offered to their clients.

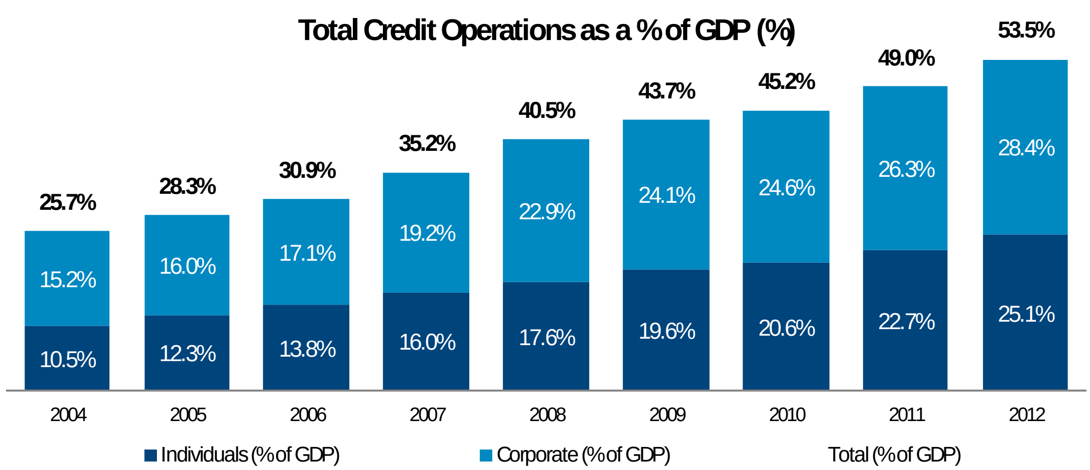
Access to banking services facilitates participation in the economy, fosters the formalization of transactions, spreads access to credit for consumption, investments, payment services, collection services and insurance and reduces loan-sharking. In order to broaden access to banking services, the Brazilian government has implemented measures to promote credit and reduce bank spreads, including the creation of clearer rules for payroll loans, new credit instruments such as bank credit bills (*cédulas de crédito bancário*) and incentives to offer credit to small companies, among others.

As of December 31, 2012, according to the Central Bank, total credit operations reached R$2,359.6 billion, of which R$1,251.7 billion were corporate loans and R$1,108.0 billion were loans to individuals. Between 2004 and 2012, corporate loans and loans to individuals had a CAGR of 19.8% and 23.6%, respectively. As of December 31, 2012, according to Central Bank preliminary data, total credit operations comprised approximately 53.5% of Brazil's GDP, with loans to individuals representing 25.1% and corporate loans representing 28.4%.

The graphs below reflect the evolution of total credit operations in Brazil and total credit operations as a percentage of Brazil's GDP for the periods indicated:



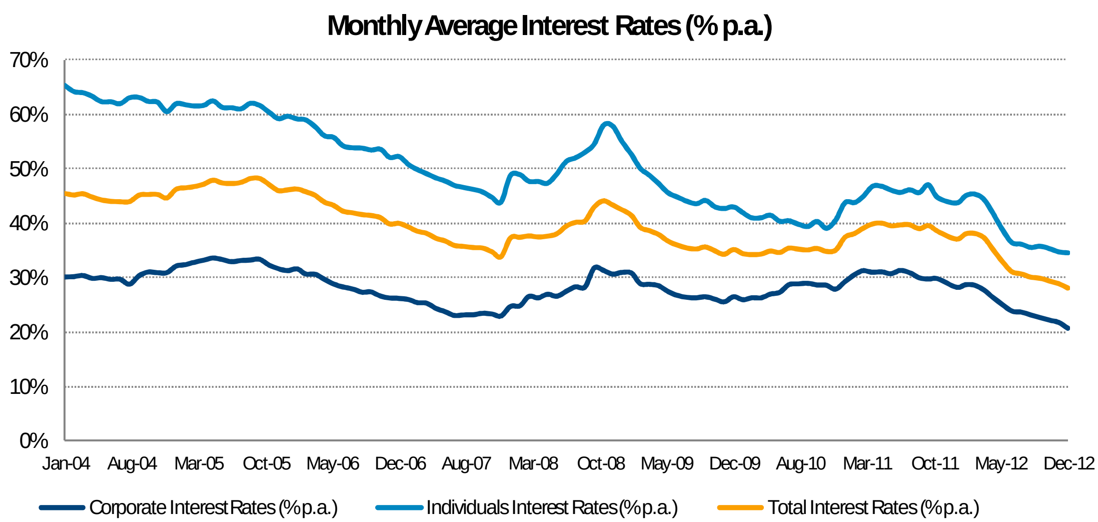
Source: Central Bank



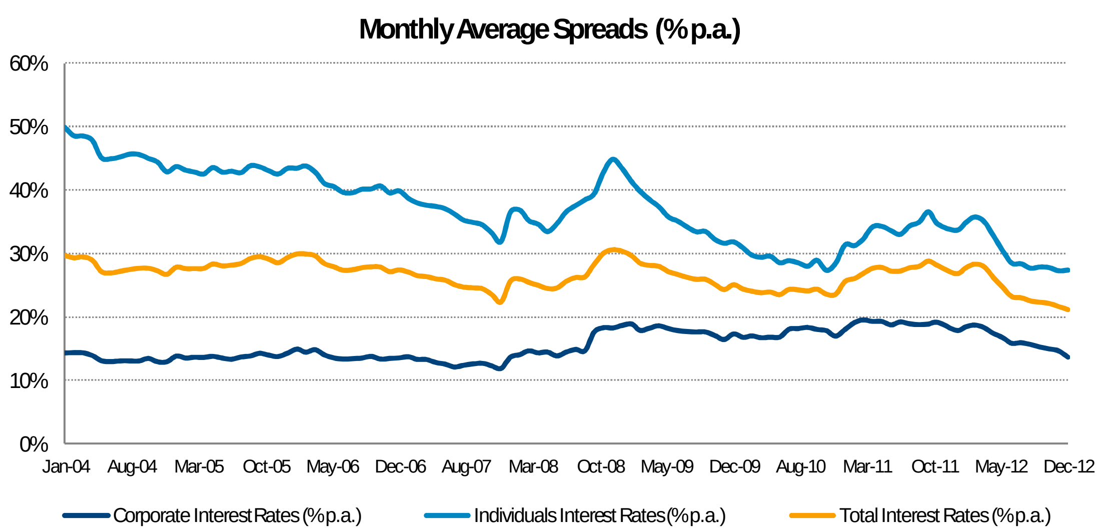
Source: Central Bank

According to Central Bank data, corporate interest rates have remained relatively stable since 2004, while individual interest rates have declined over the course of the same period despite the recent upturn since December 2010. As of December 31, 2012, annual corporate interest rates were approximately 20.6%, and annual individual interest rates were approximately 34.6%, resulting in an average rate of 28.1% for total credit outstanding. Since the 2008 global financial and economic crisis, there has been an increase in corporate loan spreads, while individual loan spreads have decreased significantly since the end of 2010 due to macroeconomic measures implemented in 2009 to strengthen economic growth. In 2011, the prospect of high inflation raised concerns about consumption and credit availability, which led the Brazilian government to impose certain barriers, limiting the credit extended to individuals (including, higher compulsory requirements for banks for payroll loans and vehicle financing of longer terms, among others), which, in turn, impacted their spreads. Recent measures taken by state-owned banks in order to reduce spreads, however, lowered interest rates and spreads as shown in the graphs below. The largest impact was on individual loans, for which interest rates decreased 8.0% from December 2011 to December 2012, resulting in the lowest spreads since January 2004. During the same period, interest rates for corporate loans decreased 5.6%.

The graphs below illustrate the monthly average interest rates and the monthly average spreads for the periods indicated:



Source: Central Bank



Source: Central Bank

Corporate Lending

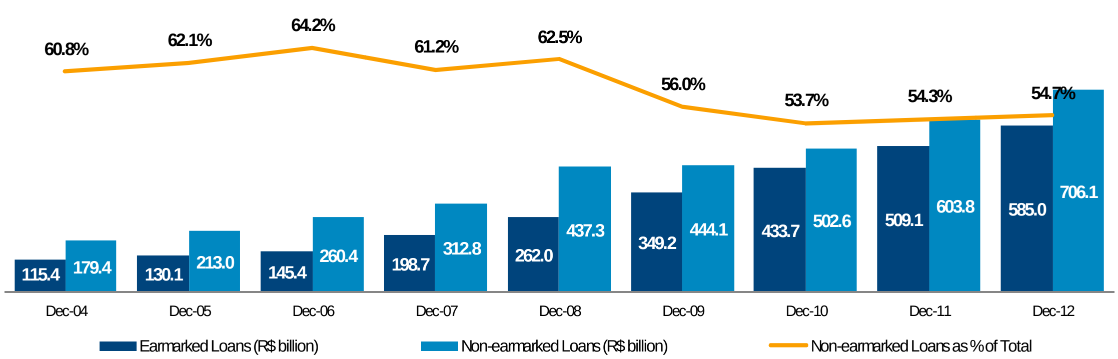
Our corporate lending operations are carried out mainly in Brazil. The legacy of high inflation and the lack of availability of long-term credit for Brazilian companies have resulted in relatively low levels of corporate leverage. However, according to the Central Bank, the volume of corporate credit (including regulated funds) has increased significantly in recent years, from R$699.3 billion in December 2008 to R$1,291.1 billion in December 2012, representing a CAGR of 16.6% between such dates.

The graph below reflects the evolution of corporate loans in Brazil for the periods indicated:

Source: Central Bank

The Brazilian government and BNDES maintain a significant role with respect to the Brazilian financial system. As of December 31, 2012, the Brazilian financial system had a total of R$968.2 billion of earmarked lending, comprising 40.9% of total lending. Earmarked lending refers to BNDES lending and lending required by the Brazilian government to designated sectors of the economy, including agriculture and housing. Corporate loans comprise the majority of earmarked loans, representing 60.4% of total earmarked lending as of December 31, 2012. However, due to the strong growth of credit in Brazil led by profitable, scalable and healthy financial institutions, the percentage of earmarked lending relative to total lending has stabilized in recent years, mainly in individual loans.

The graph below reflects the evolution of corporate loans in Brazil divided between earmarked and non-earmarked sources for the periods indicated:



Source: Central Bank

There are many credit products available to corporations in Brazil. We believe the key credit products available to corporations are revolving credit lines, working capital loans, "compror" and "vendor" loans and note discounting, each of which is described below.

Revolving credit line. A revolving credit line is a short-term revolving line of credit available to companies, which provides immediate liquidity. In general, the interest rate is calculated daily based on the outstanding balance plus a tax on financial transactions, payable on the first business day of the month following the transaction.

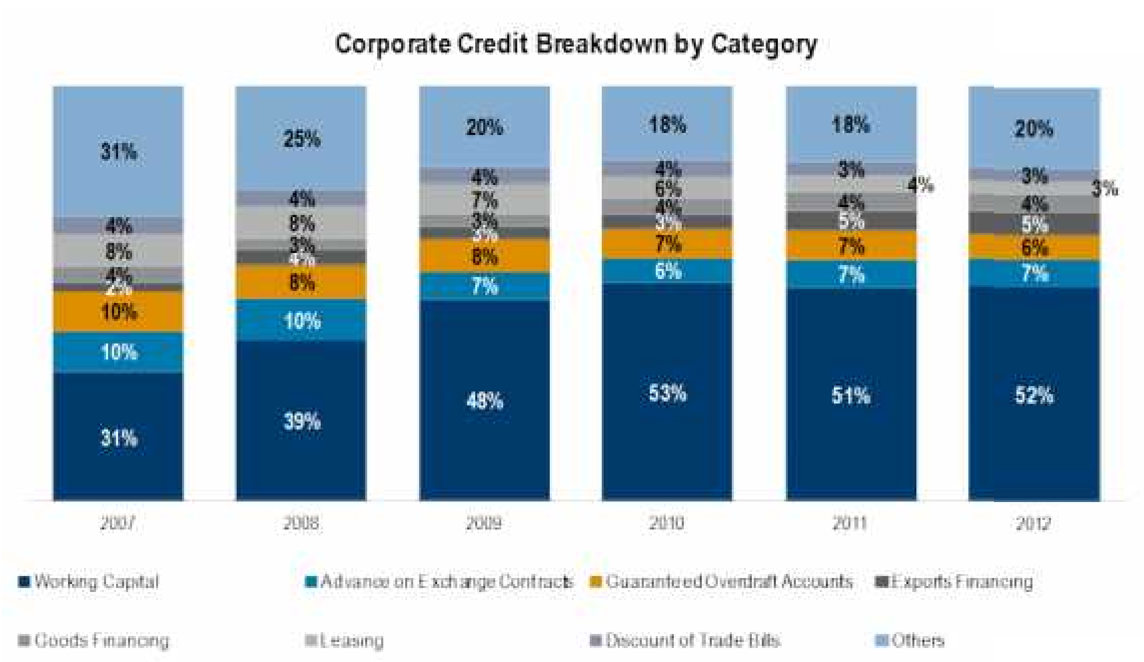
Working capital loan. Working capital loans consist of advances of funds to meet borrowers' working capital needs. In general, the repayment period is 180 days from the date of disbursement of the working capital loan.

Compror loan. The compror loan, or a payables financing loan, provides a borrower financing for the acquisition of a product or service. This loan allows a buyer to extend the repayment period of a purchase without involving the seller because the buyer is the obligor of the loan.

Vendor loan. A vendor loan, or a receivables financing loan, allows a company to sell its products on credit while receiving payment in cash. The main advantage of this type of financing is that the sale is not financed directly by the company selling the product and as a result, the calculation base for the collection of tax and sales commissions is smaller.

Note discounting. In a note discounting transaction, a financial institution will provide advances on amounts relating to certain instruments, including trade acceptance bills, promissory notes, credit card sale receipts or postdated checks aimed at anticipating the cash flow of the borrower. The borrower guarantees the non-payment of the notes.

The graph set forth below reflects the breakdown of credit products to corporations in Brazil for the periods indicated:



Source: Central Bank

Lending to Individuals - Commercial Banking

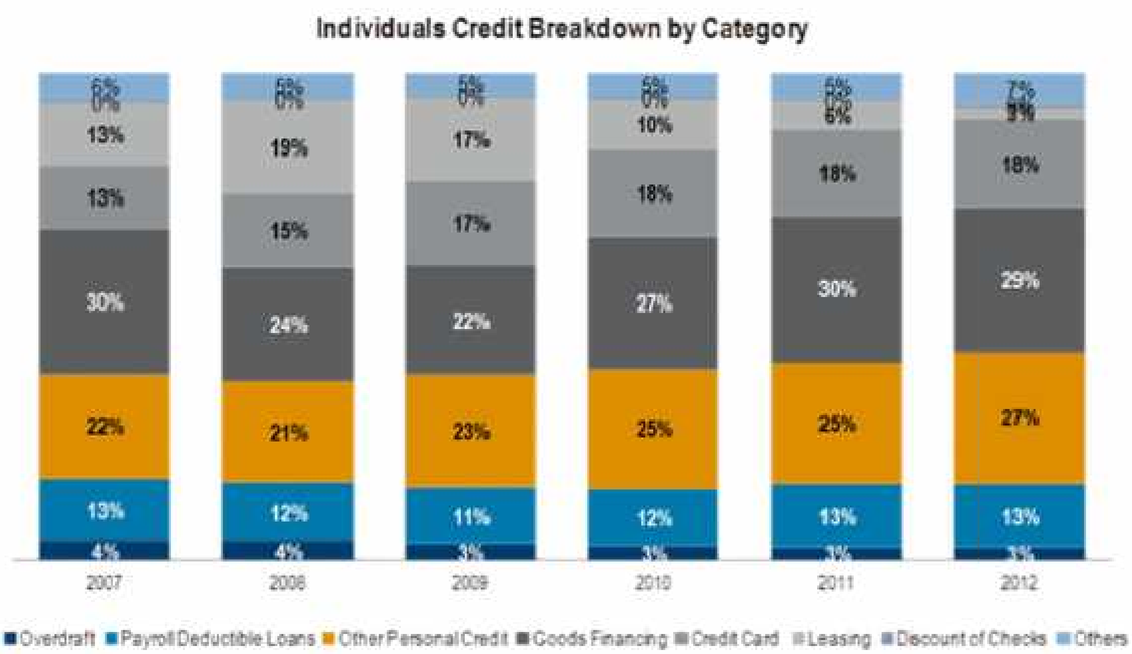
In Brazil, financing for individuals has significantly grown in recent years, mainly due to greater economic stability, higher economic growth rates and improvements in income distribution and poverty levels.

According to the Central Bank, the balance of total consumer credit increased, on average, by a CAGR of 23.1% between December 31, 2004 and December 31, 2012, reaching R$1,075.6 billion as of December 31, 2012, or 45.4% of all credit in Brazil.

INDUSTRY OVERVIEW

The Brazilian government and BNDES have played a significant role with respect to financing to individuals in Brazil, mainly through extending credit to small agribusiness producers and providing financing for housing. As of December 31, 2012, credit extended to individuals totaled R$1,075.6 billion, of which R$383.1 billion was composed of earmarked lending, or 35.6% of the total. However, as the Brazilian banking system continues to develop and financial institutions seek to diversify their portfolio of products, the share of earmarked lending is expected to decrease, which is consistent with recent trends.

The key credit products used by individuals are personal loans, vehicle financing, payroll deductible loans, credit card financing and overdraft facilities. The graph set forth below reflects the breakdown of credit extended to individuals in Brazil for the periods indicated:



Source: Central Bank

Personal Loans

Personal loans bear relatively high interest rates, which are intended to off-set relatively high rates of default. This type of loan is frequently used by consumers who have limited credit availability. Borrowers are not required to provide collateral and there are no specifications on the way in which the proceeds must be used. Major retail banks offer personal loans to their customer base through their network of branches, while the small- and medium-size banks, focused on a certain niche, operate through small offices in Brazil’s major cities.

Vehicle Financing

The vehicle financing market is primarily dominated by large retail banks, which have gradually replaced the lending role formerly held by institutions affiliated with automakers. Interest rates for vehicle financing are extremely competitive. The smaller institutions that serve this market focus, in most cases, on the used vehicle segment. Default rates are relatively low and the loans are secured by the financed vehicle, which can be repossessed and sold if the borrower defaults.

INDUSTRY OVERVIEW

Payroll Deductible Loans

Payroll deduction loans increased with the demand for alternative sources of credit. Historically, traditional credit facilities have been expensive for consumers for different reasons, including competition within the banking industry, the legal and institutional structure of the industry and the nature of underlying credit risks.

Payroll deduction loans have been the fastest growing form of consumer financing over the last few years. Payroll deduction loans are made available to a segment of the Brazilian population without access to a regular bank account or traditional banking distribution channels.

Credit Card Financing

Credit card lending is dominated by large retail banks that operate under their own banners in association with international banners like MasterCard and Visa. Interest rates on credit card financing are generally high, mainly due to high default rates for this type of credit.

Overdraft Facilities

Overdraft protection, or the guaranteed personal check, is usually offered by institutions that accept demand deposits. In general, these are the major retail banks, including large foreign conglomerates. We believe that consumers use this line of credit as a last resort, because interest rates are relatively higher than other forms of credit afforded to individuals.

Installment payment credit offered by retail store chains involves the financing of consumer goods, including durable goods such as building materials and home appliances, as well as non-durable goods such as apparel and groceries. The installment credit market is the most fragmented of all segments of consumer credit in Brazil. Major retail chains have traditionally financed their customers' purchases, but recently some agreements have been entered into between retail chains and banks that are interested in taking over those credit operations.

Insurance

We also offer insurance products. Over the past several years, Latin America has experienced strong insurance premium growth, mostly due to better economic conditions, lower inflation, improvements in insurance supervision, greater product innovation and the use of multiple distribution channels, in particular the successful leveraging of bancassurance, referring to the selling of insurance through a bank's established distribution channels.

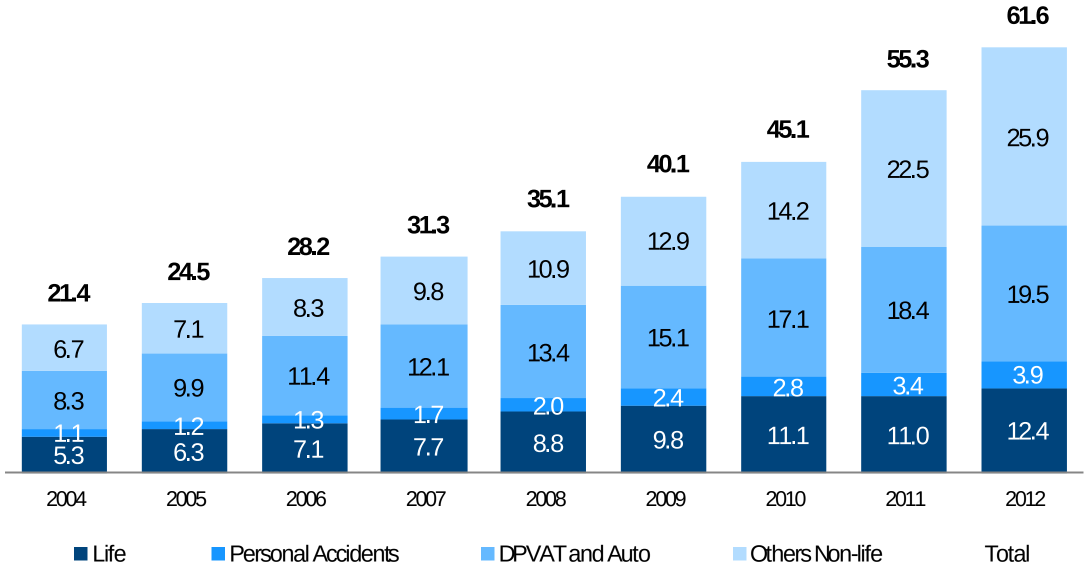
Despite strong growth, Latin America remains under-penetrated as measured by premiums as a percentage of GDP and premiums per capita, with insurance penetration rates for Latin America and the Caribbean at 2.6%, below the world average of 6.9%, according to Swiss Re.

The Brazilian insurance market has experienced substantial growth over recent years. During the five-year period ended December 31, 2012, net earned premiums in the Brazilian insurance industry have increased at an annual rate of 15.1% (excluding premiums from health and VGBL plans, a product popular in the Brazilian private pension product), according to the data from SUSEP. During 2012, net earned premiums grew by 11.4% (excluding health and VGBL premiums) compared to 2011, according to SUSEP.

The graphs below show the evolution of net earned premiums in Brazil and the breakdown of net earned premiums, excluding health and VGBL premiums, for the period indicated:

INDUSTRY OVERVIEW

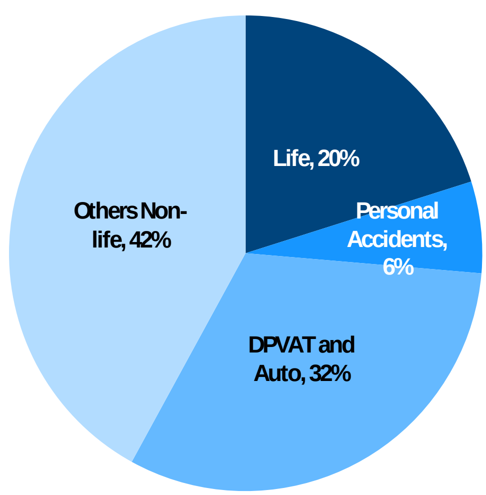
Net Earned Insurance Premiums in Brazil (R$ billion) [(1)]



Source: SUSEP

(1) Excludes VGBL and healthcare.

Breakdown of Net Earned Premiums (December 2012) [(1)]



Source: SUSEP

(1) Excludes VGBL and healthcare.

Although the main driver of growth in the Brazilian insurance industry is generally believed to be the stronger pace of domestic consumption, additional contributing factors include:

- increased macro stability;
- relevant reforms such as the introduction of the Real Plan;
- increased purchasing power and volume of credit offered;

- increased employment in the formal sector;
- increased numbers of vehicles; and
- increased penetration of insurance products.

The Brazilian insurance sector consists of life and non-life products. The life segment includes coverage for property and individuals, and the non-life segment mainly includes auto, homeowner and property and casualty insurance, among others.

The Brazilian insurance market can be broadly divided into two groups: (i) independent insurers, such as SulAmérica and Grupo Icatu, and (ii) insurance companies that are associated with Brazil's largest banking institutions, such as Bradesco, Itaú Unibanco and Banco do Brasil. Bancassurance distribution channels are well developed in Brazil, especially within the pension products market.

We believe that consumer demand for personal insurance lines will remain strong in the near future due to changes in spending habits, increased economic activity and the continued expansion of credit supply.

Furthermore, we expect that a strong labor market will lead to a rise in real wages will help boost the country to higher purchasing power levels resulting in sustained growth in the insurance industry.

Asset Management

Asset management generally involves the professional management of investments (e.g., equity, debt, derivatives and other securities) by third party managers on behalf of investors to meet their specific investment goals. Investors may be corporations, institutions, governments and individuals, who invest in various funds. Wealth management, as discussed below, is a more specialized and discretionary type of asset management provided to private investors, who are usually high net worth individuals.

Traditional asset management generally involves managing and trading portfolios of equity, fixed income and/or derivative securities. Asset management typically generates management fees as a percentage of the AUM and performance fees depending on the type of fund being managed. The investment objectives of a fund can vary between total return funds, capital appreciation, current income, and replicating the performance of a specific index, among other types.

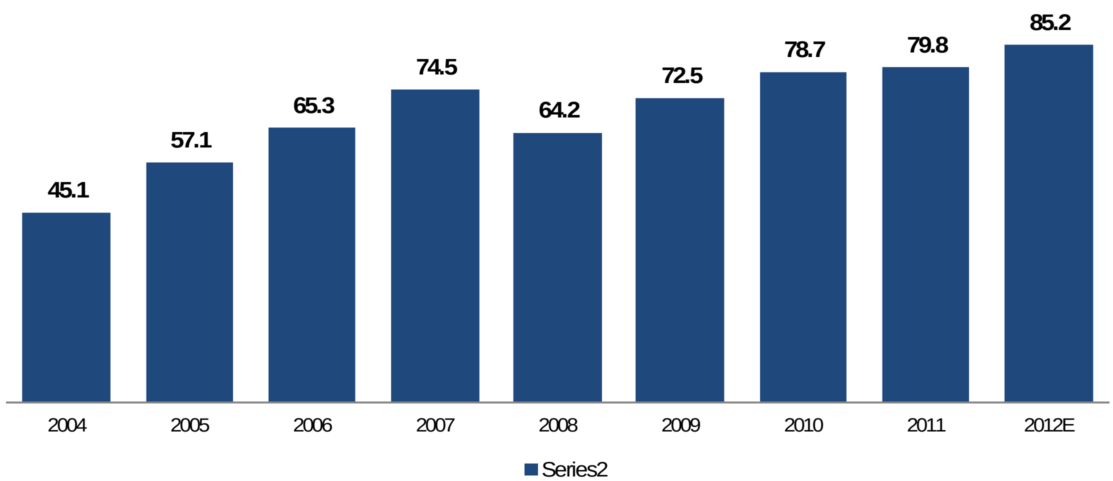
Alternative asset management utilizes a wide range of investment strategies to achieve returns within certain predefined risk parameters and investment guidelines. In general, these investments tend to have a lower correlation with the general market than do traditional asset management strategies. Examples of these funds include private equity funds, real estate funds, venture capital funds, hedge funds and fund of funds, among other types.

The asset management industry has experienced significant growth both globally and in Brazil since 2000. However, following five consecutive years of growth during which AUM more than doubled, there was a worldwide decline of AUM in 2008, primarily as a result of weakened equity markets, poor investment performances, reduced inflows of new funds and increased investor redemptions. The strengthening of the U.S. dollar during 2008 also exacerbated this decline. Despite the losses incurred on some investments, the global fund management industry was much less affected by the global financial and economic crisis than the banking sector. Following recovery in the equity markets, global AUM increased in 2009, partially as a result of the depreciation of the U.S. dollar against a number of currencies in 2009.

As equity markets continued to recover and with an inflow of new funds, global AUM continued to grow in 2010. According to the most recent report issued by the International Financial Services, London, there were approximately US$79.3 trillion of global AUM in 2010, which represents an increase of 9.5% and 23.5% compared to 2009 and 2008, respectively. Of this total, pension assets accounted for approximately US$29.9 trillion, mutual funds accounted for US$24.7 trillion and insurance funds accounted for US$24.6 trillion. Together with alternative assets (e.g., sovereign wealth funds, hedge funds, private equity funds and exchange-traded funds) and funds of wealthy individuals, the assets of the global fund management industry totaled approximately US$117.0 trillion at the end of 2010, which represented an increase of 10% from 2009. The United States continued to be the largest source of AUM in 2010, accounting for nearly a half of traditional AUM, or US$36.0 trillion, while the United Kingdom was the second largest source of AUM and the largest in Europe with around 8% of the global total of AUM. Japan and France followed as the third and fourth largest source of AUM, with 7.5% and 6.0%, respectively of the global AUM.

Conventional AUM for the global fund management industry increased slightly in 2011 to a record US$79.8 trillion. The 1.2% increase in global conventional AUM in 2011 represented a slowdown from the strong rate of growth seen in the two previous years, and was largely due to the decline in equity markets in the latter part of the year and sovereign debt crisis in Europe. The recovery in equity markets since then has contributed to the increase in global conventional AUM in 2012. Emerging economies have seen stronger growth since the start of the economic slowdown, a trend which is likely to persist in the coming years. On the whole, the fund management industry has recovered relatively quickly from the sharp fall in global AUM at the outset of the credit crisis, with most of the recovery coming from market performance rather than new inflows. The longer term effects of the economic slowdown include more cautious investment strategies, more diversification across asset classes and geographical regions, and more independence in ownership terms from banks and insurance companies. As of December 31, 2012, International Financial Services London expects assets of the global fund management industry to reach approximately $85.2 trillion.

The graph below shows the evolution of global AUM for the periods indicated:



Source: International Financial Services London

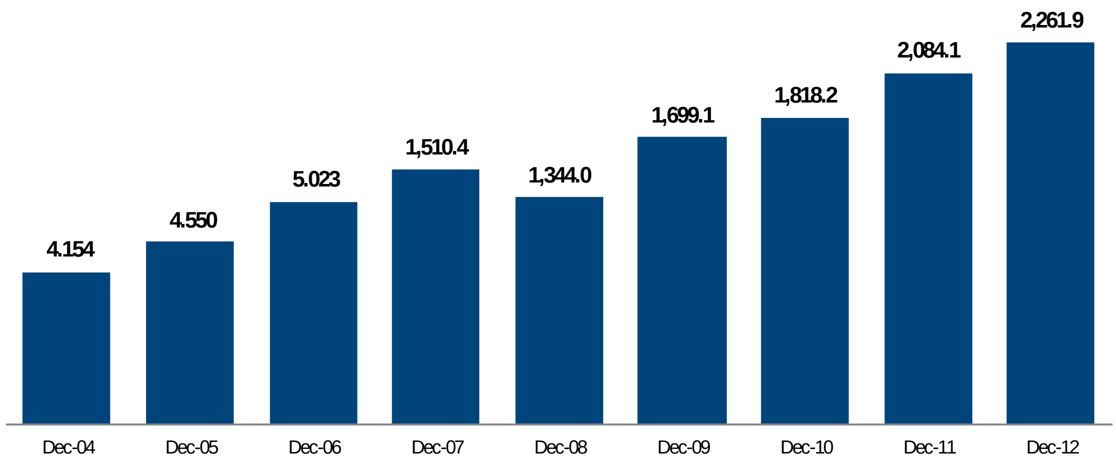
The relatively stable economic conditions in Brazil coupled with an aging population have encouraged investors to increase savings. Since 2002, the investment fund industry in Brazil has undergone material changes, in part as a result of regulations promulgated by the CVM. These regulations encouraged market participants to adopt better corporate governance practices and increase transparency in the management of investment funds. Other growth drivers in the asset management industry have been the expansion of the insurance and private pension markets, which benefited from the growth of private pension plans, improved credit ratings of Brazilian issuers and easier access to financial products offered over the internet.

According to ANBIMA, as of December 31, 2012, the asset management industry in Brazil included approximately 7,540 investment funds and over R$2,261.9 billion in AUM.

The graph below reflects AUM in Brazilian investment funds as of the periods indicated:

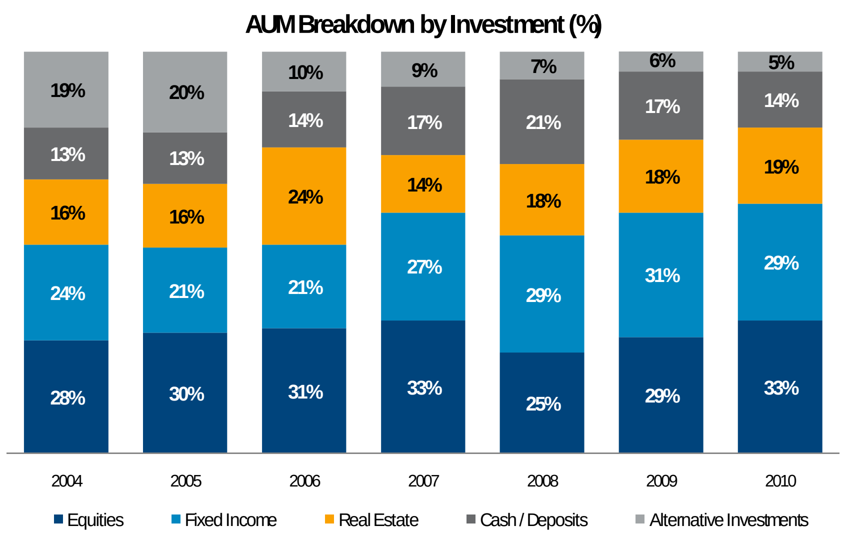
INDUSTRY OVERVIEW

AUM in Brazilian Investment Funds (R$ billions)



Source: Central Bank

The graph below reflects AUM breakdown by investment type in Brazil as of December 31 of the years indicated:



Source: World Wealth Report

Asset Management Products

In addition to the favorable political and economic conditions in Brazil, the asset management industry has benefited from the increasing availability of new products, such as diversified funds (*fundos multi-mercado*), a lessening risk aversion among domestic and foreign investors and the accelerated growth of private pension funds.

The principal funds in the Brazilian asset management industry include, fixed income funds, money market funds, equity funds, multi-asset funds and structured funds.

Fixed Income Funds. Fixed income funds invest solely in fixed income investments, such as bonds or certificates of deposit. These funds limit the amount of risk an investor takes on, although it could mean a lesser return that would be possible in a riskier fund.

Money Market. The money market is a component of the financial markets for assets based on short-term borrowing and lending with original maturities of one year or shorter periods. In Brazil, the money market is mainly composed of CDI transactions, which are interbank repurchase agreements with one-day maturity and based on highly liquid Brazilian government bonds.

Equity Funds. Equity funds are mutual funds that invests mainly in stocks, that are managed either actively or passively (index fund). Actively managed funds seek to obtain returns by focusing on undervalued stocks and selling them when their prices are higher, including in recession scenarios. Passively managed funds seek to obtain gains by making investments that follow general market positions, particularly equity indexes (e.g., S&P 500).

Multi-asset Funds. Multi-asset funds invest in different types of assets, including stocks, bonds, cash and real property. These types of funds increase the diversification of an overall portfolio by distributing investments throughout several classes. While this investment strategy reduces risk (volatility) compared to holding one class of assets, it also may limit potential returns.

Structured Funds. Structured funds combine both equity and fixed-income products to provide investors with a degree of both capital protection and capital appreciation. These funds use fixed-income securities to give the fund capital protection through principal repayment in addition to interest payments. These funds use options, futures and other derivatives, which are often based on market indexes, to provide exposure to capital appreciation.

Referenced Funds. Reference funds aim to have at least 95% of their portfolio composed of securities that directly or indirectly follow the variations of the CDI or SELIC rates. Although the securities portfolio of referenced funds is comprised of variable-rate securities, oscillations can occur due to the risk perception of these securities.

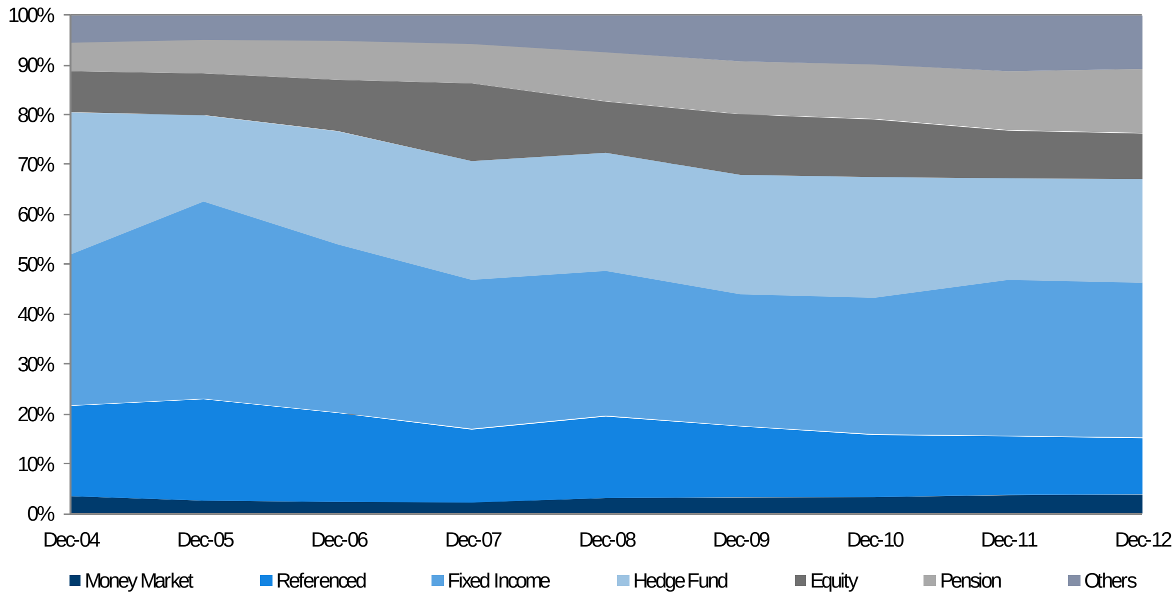
Pension Funds. Pension funds are divided into (i) fixed-income pension funds, (ii) balanced pension funds, (iii) multi-market pension funds, (iv) target-date pension funds, and (v) share pension funds. Fixed-income pension funds seek returns through investments in fixed-income assets, using strategies to generate returns on interest rates and price indexes linked to the Brazilian market. Balanced pension funds seek long-term returns by investing in various asset classes, including fixed-income, and equities. These funds use a diversified investment strategy for acquiring assets, and generally invest a portion of their portfolio in variable-income assets. Multi-market pension funds seek long-term returns by investing in various asset classes. These funds do not disclose their asset mix (i.e., percentage of each asset class) and may be measured against other performance indicators that reflect only one asset class. Target-date pension funds seek returns by a target-date by investing in various asset classes and using a periodic rebalancing strategy. These funds seek to reduce risk exposure in accordance with the time remaining until the respective target-date. These funds cannot be measured against performance indicators that reflect only one asset class. Share pension funds are required to have at least 67% of its portfolio in cash equities, subscription warrants, share deposit certificates, quotas of stock funds, quotas of stock index funds or Brazilian Depositary Receipts under Level II or Level III.

Hedge Funds. A hedge fund is an investment fund that typically undertakes a wider range of investment and asset trading than other funds, but which is only open for investment from particular types of investors specified by regulators. These investors are typically institutions, such as pension funds, university endowments and foundations, or HNWI. Hedge funds invest in a diverse range of assets, but they most commonly trade liquid securities on public markets. These funds usually employ a wide variety of investment strategies, and make use of techniques such as short selling and leverage.

INDUSTRY OVERVIEW

Notwithstanding the significant growth and size of Brazil's equity capital market, a significant portion of total AUM remains concentrated in fixed income and money market funds, due in part to the legacy of high interest rates in Brazil. As of December 31, 2012, the total amount invested in fixed income and money market funds together represented approximately 46% of total AUM, while hedge funds, equity funds and pension funds represented approximately 21%, 9% and 13%, respectively. The remaining 7% of total AUM represents currency and other types of funds.

The graph and chart below illustrate the volume (in R$ billions) and percentage of each type of fund which comprise the Brazilian asset management industry for the periods indicated:



Source: ANBIMA

Type of Fund	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Money Market	33	30	33	36	44	58	63	81	91
Referenced	163	218	235	220	219	240	225	243	253
Fixed Income	274	427	446	453	392	451	500	654	704
Hedge Fund	258	186	299	359	318	406	440	424	471
Equity	74	90	135	234	137	205	209	198	204
Pension	52	74	105	121	133	180	200	248	291
Others	50	53	68	88	101	159	181	236	247
Total	**904**	**1,078**	**1,320**	**1,510**	**1,344**	**1,699**	**1,818**	**2,084**	**2,262**

Source: ANBIMA

Private Equity

The investment period of a private equity fund is usually mid- to long-term. Returns on private equity investments are generated through one, or a combination of, the following three factors: (i) accumulation of cash flows from operations; (ii) improvement of earnings over the life of the investment; and (iii) sale of a business for higher multiple of earnings than the original purchase price. Exit strategies used by private equity funds include initial public offerings and selling a business to new investors.

INDUSTRY OVERVIEW

The private equity industry in Brazil has expanded in recent years, partially leveraging from an earlier period of private growth from 1994 to 2000.

In recent years, private equity firms have been tapping capital markets in Brazil extensively in order to fund portfolio companies' growth and to recycle funds' portfolios. We believe the private equity industry in Brazil will continue to grow given the number of firms currently interested in investing or building investment platforms in Brazil.

We believe that the current favorable economic condition is the main driver behind the growth of the Brazilian private equity industry. The emerging middle class, eager to benefit from ever increasing disposable income and credit availability, is boosting internal consumption across a broad range of products, from food to government-subsidized houzsing, making Brazil one of the leading consumer markets worldwide. The Brazilian government is stimulating this growth, mainly by means of large investments in infrastructure, including the World Cup in 2014 and the Olympic Games in 2016. Other sectors such as commodities and energy will continue to play an important role in the continued growth of Brazilian GDP, backed by solid internal and external consumer markets. Growth, consolidation and governance, this is the Brazilian landscape of the industry, which, in the country work basically in all equity deals.

According to a report published by the 2011 Latin America Venture Capital Association, or LAVCA, Latin American private equity investment activity reached US$6,504 million in 2011, representing a decrease of 9.7% over 2010. Brazil has become the major market for private equity in Latin America. Within Latin America, Brazil was home to the largest percentage of investments in 2010, accounting for 64% of investments by value and 50% of investments by number of deals. In 2011, Latin American fundraising activity increased 27% compared to 2010, reaching US$10,300 million, of which Brazil captured US$8.1 billion, or approximately 78.6% of the total funds raised, illustrating the strength of Brazil's experienced asset managers and the desire of global investors to invest in Brazil.

As a result of Brazil's prominence as a major market for private equity investment, many international funds that previously only invested opportunistically in Brazil are now establishing local offices and raising local funds. This growth was a result of the positive performance of Brazilian equity capital markets, which allowed private equity firms to recycle their portfolios and fund growth. In addition, Brazil's growing middle class coupled with a positive outlook for Brazil's exports created opportunities for further investments in consumer-related and infrastructure sectors. Furthermore, oil services and shipbuilding industries should attract private equity firms for several years to come, in light of the increasingly positive outlook of pre-salt and offshore exploration.

According to a recent survey published by the Emerging Markets Private Equity Association, or EMPEA, and Coller Capital, Brazil is the most attractive emerging market for private equity investments in 2012.

In addition, fundraising has increased for private equity investments in other emerging markets as well. The table below shows, for the periods indicated, fundraising activity in selected economies:

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	**230**	**480**	**158**	**2,098**	**2,510**	**3,589**	**401**	**1,078**	**7,079**	**2,617**
China	213	311	2,243	4,279	3,890	14,461	6,617	7,509	16,616	10,825
India	236	706	2,741	2,884	4,569	7,710	3,999	3,268	2,737	2,084
Russia/CIS	175	200	1,254	222	1,790	880	455	75	135	357
South Africa	741	340	348	1,190	546	218	N/A	423	n.a.	n.a.

Source: Emerging Markets Private Equity Association, IMF

In addition to this increase in fundraising, private equity investments have increased overtime and, although adversely impacted by recent market developments, activity in Brazil has remained at high levels over the last years, as demonstrated in the table below**:**

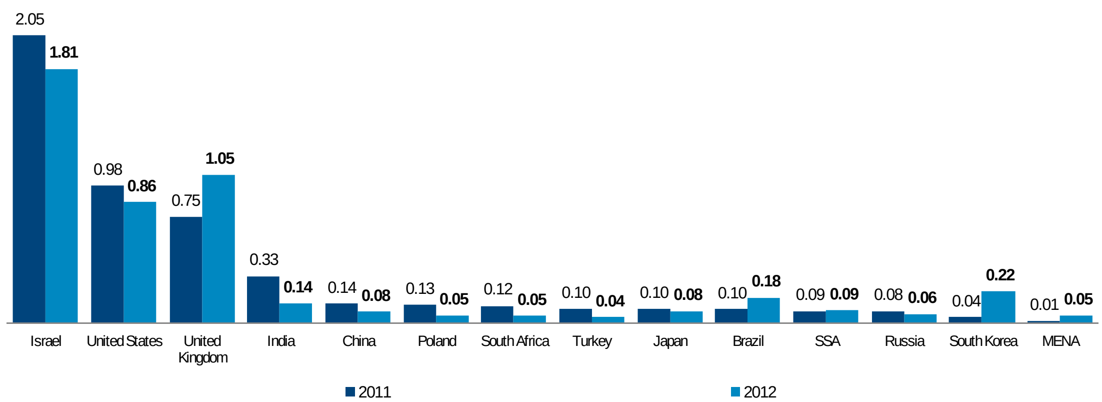
EM PE Investment Totals by Select Markets, 2003–1H 2012 (US$ millions)

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Brazil	**321**	**120**	**474**	**1,342**	**5,285**	**3,020**	**989**	**4,604**	**2,461**	**4,384**
China	1,667	1,389	2,991	8,200	9,458	8,994	6,288	9,190	10,529	7,104
India	456	1,272	1,377	5,687	9,905	7,483	4,011	6,222	6,172	2,676
Russia/CIS	113	240	240	402	805	2,647	217	1,516	1,579	1,239

Source: Emerging Markets Private Equity Association, IMF

Although Brazil has experienced a large inflow of capital into private equity investments in recent years, the Brazilian market remains under penetrated compared to other BRIC countries, and especially compared to the United States. According to EMPEA, private equity investment as a percentage of GDP in Brazil was only 0.18% in 2012, while the United States and United Kingdom presented a 0.86% and 1.05% penetration in 2012, respectively.

The graph below shows, as of December 31, 2011 and 2012 the percentage of GDP that private equity investment represents for each of the countries listed**:**



Source: Emerging Markets Private Equity Association, IMF

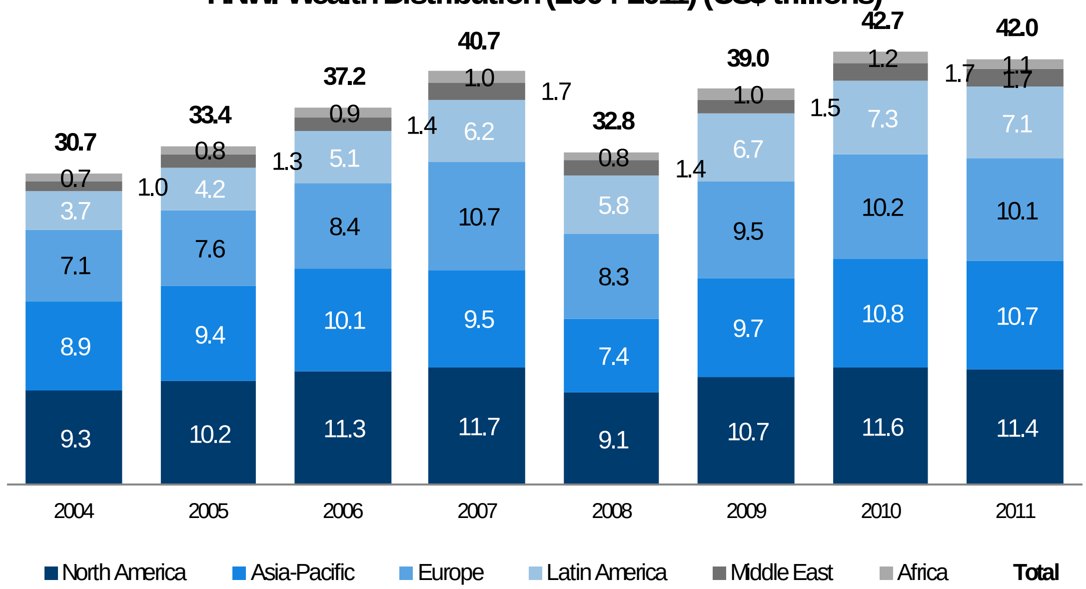
Wealth Management

The wealth management industry typically provides services to HNWI, including highly customized and sophisticated investment management services, financial planning consultancy, trust advisory services and other advisory services in connection with estate planning, business succession and small-scale M&A transactions, among others.

While the HNWI population increased slightly, overall investable wealth has declined in recent years. The overall financial global wealth of HNWI declined across all regions in 2011, with the exception of the Middle East, according to the World Wealth Report 2012. However, despite the 1.7% decline in investable wealth to US$42.0 trillion, the global HNWI population grew marginally by 0.8% to 11 million in 2011.

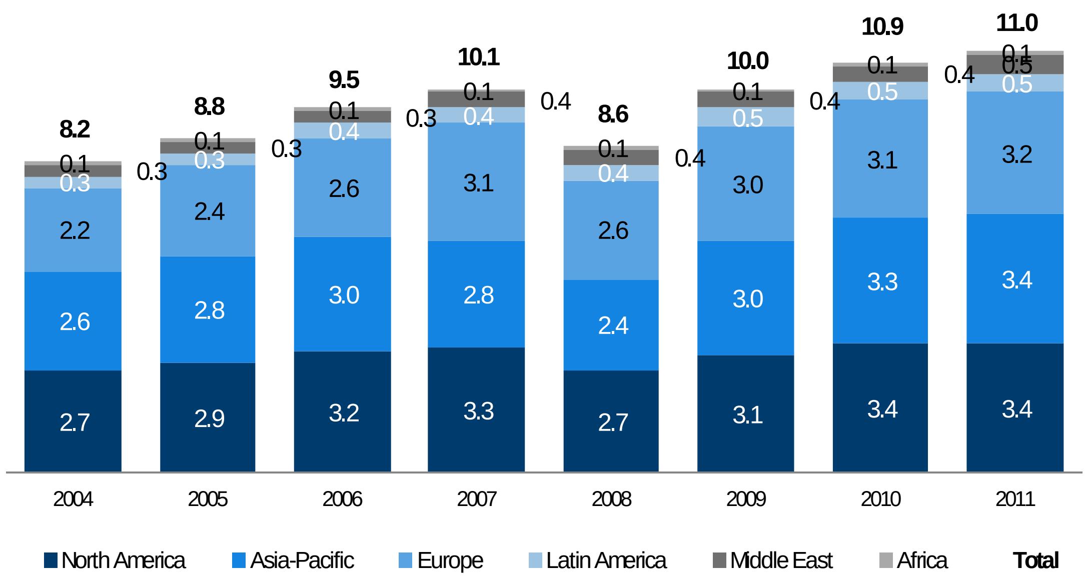
In 2011, Asia-Pacific became the region with the largest number of HNWI, while North America retained the most HNWI wealth. The number of HNWI in Asia-Pacific expanded 1.6% to 3.37 million in 2011, making Asia-Pacific the largest HNWI region for the first time. North America remained the largest region for HNWI wealth at US$11.4 trillion. U.S, Japan and Germany, retained 53.3% of the total share of HNWI, slightly up from 53.1% in 2010. Of the top twelve countries by population, Brazil saw the greatest percentage rise (6.2%) in the number of HNWI in 2011. The following graphs show the amount of wealth (in R$ trillions) and the HNWI across various regions around the world as of December 31 for the years indicated:

HNWI Wealth Distribution (2004-2011) (US$ trillions)



Source: World Wealth Report

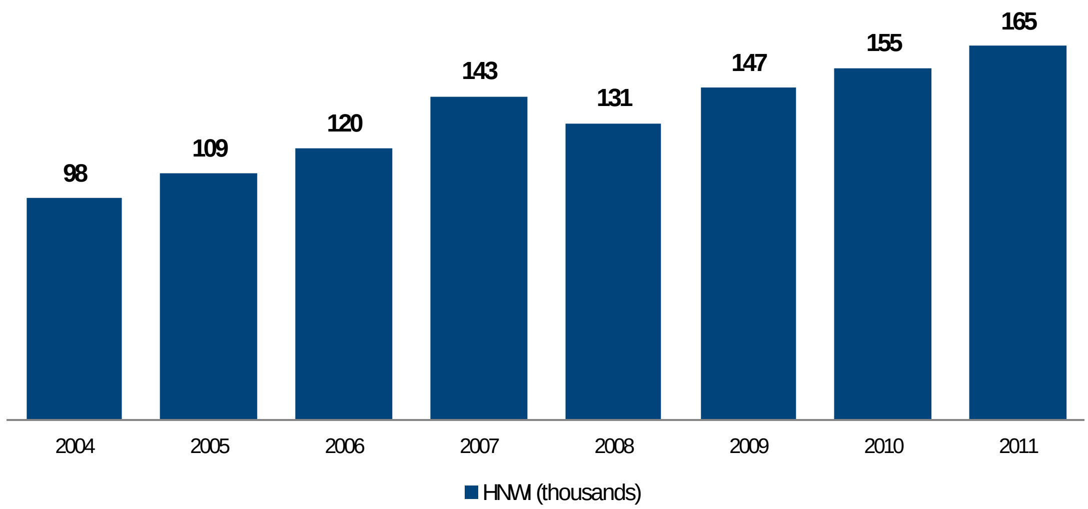
HNWI Population Distribution (2004-2011) (millions)



Source: World Wealth Report

INDUSTRY OVERVIEW

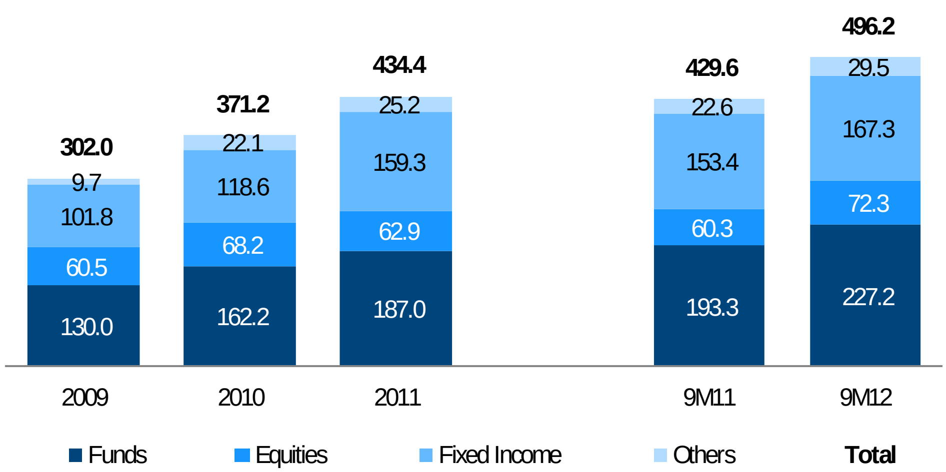
According to the World Wealth Report, Brazil is one of the largest economies in terms of HNWI, with approximately 165,000 individuals. From 2004 through 2011, Brazil had a compounded annual growth rate of 7.7% in terms of HNWI for such period. The graph below illustrates the number of HNWI in Brazil from 2004 through 2011:



Source: World Wealth Report

According to data from ANBIMA, as of December 31, 2012, the Brazilian private banking segment had a total of R$527.3 billion in AUM. Of this total, 31.5% is invested in fixed income products, 46.4% in investment funds (open-ended, closed-ended funds and structured funds), 15.8% in equities and 6.3% in other assets.

The graph below illustrates the breakdown of wealth (in R$ billions) in Brazil by investment segments:

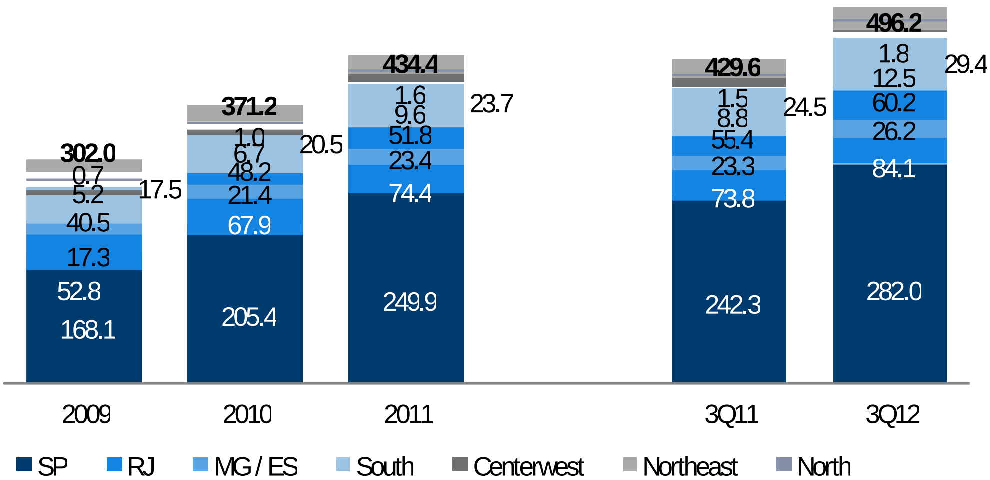


Source: ANBIMA

INDUSTRY OVERVIEW

The majority of Brazil's high net worth individuals are located in two states, São Paulo and Rio de Janeiro. As of December 31, 2012, São Paulo and Rio de Janeiro accounted for 56.4% and 17.8%, respectively, of all of Brazil's high net worth individuals. With the expected growth of the Brazilian economy through the diversification of businesses and geographical regions, this concentration may decrease in the future, thus representing an opportunity for the wealth management industry to explore different markets.

The graph below illustrates the breakdown of wealth (in R$ billions) in Brazil by geographical regions:



Source: ANBIMA

REGULATORY OVERVIEW

The Brazilian Financial System and Banking Regulation

Regulatory Framework

The basic institutional framework of the Brazilian financial system was established in 1964 by the "Banking Reform Law." The Banking Reform Law created the CMN, which is responsible for examining monetary and foreign currency policies pertaining to economic and social development, as well as overseeing the operation of the financial system.

Principal Regulatory Agencies

The Brazilian national financial system (*Sistema Financeiro Nacional*) is composed, among others, of the following regulatory and inspection bodies:

- the CMN;
- the Central Bank;
- the CVM;
- the Brazilian Council of Private Insurance (Conselho Nacional de Seguros Privados);
- the SUSEP; and
- the National Superintendency of Private Pension (Superintendência Nacional de Previdência Complementar).

Below is a summary of the main functions and powers of the most relevant of these regulatory bodies.

The CMN

The CMN is the chief authority for monetary and financial policy in Brazil, responsible for the overall supervision of Brazilian budgetary, credit, fiscal, monetary and public debt policies.

The members of the board of CMN are the Minister of Finance (chairman), the Minister of Planning, Budget and Management and the President of the Central Bank. The CMN has the authority to regulate the credit operations of Brazilian financial institutions and Brazilian currency, to supervise Brazil’s foreign exchange and gold reserves, to establish Brazilian saving and investment policies and to regulate the Brazilian capital markets with the overarching purpose of promoting economic and social development of Brazil. The CMN also oversees the activities of the Central Bank and the CVM. Specifically, the main responsibilities of the CMN are the following:

- coordinating monetary, credit, budget, tax and public debt policies;
- establishing foreign exchange and interest rate policy;
- protecting the liquidity and solvency of financial institutions;
- overseeing activities related to the stock exchange markets;
- regulating the structure and operation of financial institutions;
- granting authority to the Central Bank to issue currency and establishing reserve requirement levels; and
- establishing general directives for banking and financial markets.

REGULATORY OVERVIEW

The Central Bank

The Central Bank is responsible for implementing policies of the CMN as they relate to monetary and exchange control matters, regulating public and private sector Brazilian financial institutions and monitoring and regulating foreign investment in Brazil. The President of the Central Bank is appointed by the President of Brazil for an indefinite term of office subject to ratification by the Brazilian Senate.

Specifically, the main responsibilities of the Central Bank are the following:

- managing the day-to-day control over foreign capital inflows and outflows (risk capital and loans in any form);
- setting forth the administrative rules and regulations for registering investments;
- monitoring foreign currency remittances;
- controlling the repatriation of funds (in the event of a serious deficit in Brazil's balance of payments, the Central Bank may limit remittances of profit and prohibit remittances as capital for a limited period of time);
- receiving compulsory withholdings and voluntary demand deposits of financial institutions;
- executing rediscount transactions and loans to banking financial institutions and other institutions authorized to operate by the Central Bank;
- acting as a depositary of gold and foreign currency reserves; and
- controlling and approving the incorporation, functioning, transfer of control and equity reorganization of financial institutions and other institutions authorized to operate by the Central Bank.

The CVM

The CVM is the agency responsible for implementing policies established by the CMN and regulates, develops, controls and inspects the securities market. The CVM is headquartered in Rio de Janeiro and has jurisdiction in all Brazilian territory. The CVM is an independent agency linked to the Ministry of Finance. It has independent administrative authority and legal standing. The main responsibilities of the CVM are the following:

- implementing and regulating the securities and exchange policies established by the CMN; and
- controlling and overseeing the Brazilian securities market by: approving, suspending and canceling the registration of public companies; authorizing brokers and dealers to operate in the securities market and public offerings of securities; supervising the activities of public companies, stock exchanges, commodities and futures exchanges, market members, and financial investment funds and variable income funds; requiring full disclosure of material events affecting the market, annual and quarterly reporting by public companies; and imposing penalties.

Since 2001, the CVM has had jurisdiction to regulate and oversee the derivatives' market and financial and investment funds that were originally regulated and supervised by the Central Bank. Pursuant to Law No. 10,198, of February 14, 2001, as amended, and Law No. 10,303, of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds and of transactions involving derivatives were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. In accordance with Law No. 6,385, of December 7, 1976, (also known as the Brazilian Securities Exchange Law), the CVM is managed by one president and four directors as appointed by the President of Brazil (and approved by the Senate). The individuals appointed to the CVM must be of good standing and recognized as experts in the field of capital markets. CVM directors are appointed for a single five-year term and one-fifth of the members must be renewed on a yearly basis.

All decisions rendered by the CVM and the Central Bank in administrative proceedings relating to the national financial system and the securities market are subject to appeal to the Board of Appeals of the National Financial System (*Conselho de Recursos do Sistema Financeiro Nacional*), which is comprised of four members appointed by public authorities and four members from the private sector.

Banking Regulation

Principal Limitations and Restrictions on Financial Institutions

The activities of financial institutions are subject to limitations and restrictions. In general, such limitations and restrictions relate to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, administration of third party funds and microcredit finance.

The principal restrictions on banking activities established by the Banking Reform Law and further applicable regulations are as follows:

- no financial, banking or credit institution may operate in Brazil without the prior approval of the Central Bank. In addition, foreign banks must be expressly authorized to operate in Brazil by Presidential decree;
- a financial, banking or credit institution may not invest in the equity of any other company, except where such investment is approved by the Central Bank based on certain standards established by the CMN. However, investments are permitted without restrictions in such institutions through the investment banking unit of a multiple-service bank or a subsidiary of an investment bank;
- a financial, banking or credit institution may not own real estate other than the property it occupies, and is subject to certain limitations imposed by the CMN. If a financial, banking or credit institution takes possession of real estate in satisfaction of a debt, such property must be sold within one year, unless otherwise authorized by the Central Bank;
- financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification;
- financial institutions are prohibited from granting loans or advances without an appropriate deed evidencing such debt;
- a financial, banking or credit institution may not lend more than 25.0% of its reference shareholders' equity (*Patrimônio de Referência*, or "PR") to any single person or group;
- a financial, banking or credit institution may not grant loans to, or guarantee transactions of, any company which holds more than 10.0% of its shares, except (subject to the prior approval of the Central Bank) in certain limited circumstances;
- a financial, banking or credit institution may not grant loans to, or guarantee transactions of, any company in which it holds more than 10.0% of the share capital;
- a financial, banking or credit institution may not grant loans to, or guarantee transactions of, its executive officers and directors (including their immediate and extended families) or to any company in which such executive officers and directors (including their immediate and extended families) hold more than 10.0% of the share capital;
- financial institutions are prohibited from carrying out repurchase transactions (*operações compromissadas*) in excess of an amount corresponding to 30 times their PR;
- the administration of third party funds should be segregated from other activities and in compliance with the relevant rules imposed by the CVM;
- the registered capital and total net assets of financial institutions must be compatible with the rules governing share capital and minimum capitalization requirements imposed by the Central Bank for each type of financial institution;

- the total amount of funds applied in the fixed assets of financial institutions cannot exceed 50.0% of the respective amount of PR; and
- financial institutions may not expose themselves to gold, assets or liabilities referenced in currency exchange variations in excess of 30.0% of their PR.

Capital Adequacy and Leverage

The Central Bank supervises the Brazilian banking industry in accordance with the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, or the Basel Committee, and other applicable regulations, including the Basel II Accord, which is currently being implemented. The banks provide the Central Bank with the necessary information for it to perform its supervisory functions, which include supervising the movements in the solvency or capital adequacy of banks.

The main principle of the Basel II Accord, as implemented in Brazil, is that a bank's own resources must cover its principal risks, including credit risk, market risk and operational risk. The requirements imposed by the Central Bank differ from the Basel II Accord in a few aspects. Among these differences, the Central Bank:

- imposes a minimum capital requirement of 11.0% instead of the 8.0% imposed by the Basel II Accord;
- assigns different risk weighting and credit conversion factors to some assets, including a risk weighting of 300.0% on deferred tax assets other than temporary differences;
- requires calculation and report on the minimum capital and capital ratios on a consolidated basis;
- requires banks to set aside a portion of their equity to cover operational risks as from July 1, 2008;
- does not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures; and
- requires banks to establish specific internal structures to identify, measure, control and mitigate operational and credit risks.

A bank's capital base composition, for supervisory purposes, is defined in two tiers according to Brazilian rules. Such requirement is called PR:

- *Tier I*: Corresponds to the sum of amounts corresponding to net assets, the balance of profit and losses accounts of creditors and deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 4,019 of September 29, 2011), excluding amounts corresponding to: (i) debtor profit and loss account balances; (ii) re-evaluation reserves, contingency reserves and special reserves for profits relating to non-distributed mandatory dividends; (iii) preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends; (iv) tax credit (as set forth in CMN Resolution No. 3,059 of December 20, 2002); (v) permanent deferred assets, discounting the goodwill paid in the acquisition of investments and (vi) the balance of unearned gains and losses resulting from the adjustment in the market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.
- *Tier II*: Corresponds to the sum of amounts corresponding to re-evaluation reserves, contingency reserves and special profit reserves relating to non-distributed mandatory dividends added to amounts corresponding to: (i) hybrid capital and debt contracts (as defined in CMN Resolution No. 3,444), subordinated debt contracts, preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends issued by financial institutions and (ii) the balance of unearned gains and losses resulting from the adjustment in the market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.

The total amount of Tier II capital cannot exceed the total amount of Tier I capital, and Brazilian regulation imposes limits on Tier II capital, as follows:

- subordinated debt in Tier II capital, plus the amount of preferred redeemable stock originally maturing in less than ten years, cannot exceed 50.0% of the Tier I capital;
- revaluation reserves in Tier II capital cannot exceed 25.0% of the Tier I capital;
- the total amount of hybrid capital and debt instruments authorized by the Central Bank to be included in Tier I capital is limited to 15.0% of the total amount of Tier I capital; and
- a 20.0% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier II capital annually for the five years preceding the respective maturities.

Additionally, the following components are deducted from capital: (i) amounts paid into investment funds' capital, proportionate to the interest on each fund's portfolio; (ii) acquisition or indirect interest on financial conglomerates, through any non-financial affiliated entity and (iii) assets related to funding instruments such as hybrid capital instruments, debt instruments and subordinated debt issued by financial institutions and other institutions authorized to operate by the Central Bank.

In addition to minimum capital and shareholders' equity requirements, financial institutions must also maintain a level of PR that is compatible with the risks to which their assets, liabilities and compensation accounts are exposed. Financial institutions may only distribute profits that exceed the legal capital adequacy requirement.

According to CMN Resolution No. 2,723, as amended, financial institutions, except credit unions, must keep consolidated accounting records (including for the purposes of calculation of their capital requirements) of their corporate holdings whenever, directly or indirectly, individually or jointly with other partners (even when based on voting trusts), the institutions hold a controlling interest in the investees. When capital control is not involved, the financial institution may opt for accounting using equity accounting method in lieu of such consolidated accounting.

In June 2004, the Basel Committee approved the Basel II Accord, a new framework for risk-based capital adequacy. The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for banking organizations. Pursuant to the Central Bank Communication No. 19,028 of October 29, 2009, the recommendations of the Basel II Accord will be fully implemented by the second half of 2013, beginning in 2010 with market risk.

CMN Resolution No. 3,380, issued on June 29, 2006, sets forth new procedures for the implementation of operating risk internal control procedures whereby Brazilian banks were required to implement the principles of the Basel II Accord by the end of 2007.

On February 28, 2007, CMN Resolution No. 3,444 established the criteria for calculation of PR. In addition, on August 29, 2007, CMN Resolution No. 3,490 established new criteria for calculating the required reference shareholders' equity capital (PRE) of financial institutions effective from July 1, 2008.

CMN Resolution No. 3,464 of June 26, 2007, as amended, sets forth the procedures for the implementation of a market risk internal control structure. CMN Resolution No. 3,488 of August 29, 2007 sets forth the limits for the total exposure of financial institutions in gold, foreign currency and transactions subject to foreign exchange variation.

On June 28, 2010, the Central Bank also published Circular No. 3,498, which introduces additional capital requirements for the trading book under stressed value-at-risk (VaR) based on historical data from a continuous 12-month period of significant financial stress. The implementation of these regulatory reforms may significantly impact the computation of our regulatory capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements. In addition, they fully endorsed previous agreements regarding the overall design of the capital and liquidity reform package, the

Basel III Accord, which was endorsed at the Seoul G20 Leaders summit in November 2010. The package of reforms proposed by the Basel Committee will increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The new rules are expected to be implemented gradually by the central banks of various countries between 2013 and 2019.

On January 13, 2011, the Basel Committee expanded on the Basel III capital rules with additional requirements, known as the January 13 Annex, applicable to non-common Tier 1 or Tier 2 instruments issued by internationally active banks. The additional requirements would apply to all instruments issued after January 1, 2013, and otherwise qualifying instruments issued prior to January 1, 2012 will be phased out proportionately over a ten-year period, beginning in 2013. On February 17, 2011, the Central Bank issued Communication No. 20,615, pursuant to which the Central Bank indicated its willingness to implement the provisions of the January 13 Annex. For such purpose, the Central Bank will need to issue further regulations, which is expected to begin soon, according to the non-binding schedule set forth by Communication No. 20,615.

In addition, on February 17, 2012, the Central Bank released Public Hearing No. 40/2012 for comments, which proposes modifications to the definition of reference capital applicable to Brazilian financial institutions currently established by CMN Resolution No. 3,444, dated February 28, 2007. According to Public Hearing No. 40/2012, the Central Bank now intends to consider certain additional entities controlled by a financial institution in making reference capital determinations. Under the current proposal, entities resembling financial institutions (such as credit card management companies) and investment funds from which a financial institution retains substantial risks and benefits would initially be included when determining the reference capital of the parent financial institution. We cannot predict if, when and to what extent such rules will become effective.

Reserve and Other Requirements

Currently, the Central Bank imposes a series of requirements on financial institutions regarding compulsory reserves. Financial institutions must deposit reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system.

Some of the current types of reserves required under Brazilian law include:

Demand Deposits. Pursuant to Circular No. 3,274 of February 10, 2005, as amended, banks and other financial institutions are generally required to deposit 44.0% (to be increased to 45.0% as of July 2014) of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R$44.0 million with the Central Bank on a non-interest bearing basis. Financial institutions with Tier I component of the PR higher than R$6.0 billion are allowed to deduct, from the amounts to be deposited with the Central Bank (up to 20% of such deposits), funds committed under certain lines of credit benefiting from government subsidies. At the end of each day, the balance in such account shall be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings Accounts. Currently, pursuant to Circular No. 3,128 dated June 24, 2002, the Central Bank has established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts captured by the entities of the Brazilian Savings and Loan System (*Sistema Brasileiro de Poupança e Empréstimo*, or SBPE) must be used to finance residential real estate or the housing construction sector, as determined by CMN Resolution No. 3,932, of December 16, 2010. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged off residential real estate loans and certain other financings, all as specified in guidance issued by the Central Bank.

Pursuant to CMN Resolution No. 3,023 of October 11, 2002, as amended, the Central Bank established an additional reserve requirement of 10% on the savings account funds captured by the entities of the SBPE. CMN Resolution No. 3,843 of March 10, 2010, sets forth that this additional reserve requirement shall be deposited in cash and will bear interest at a SELIC-based interest rate.

Time Deposits. Pursuant to Central Bank Circular No. 3,569, of December 22, 2011, as amended, 20% of a financial institutions' time deposits and certain other amounts, after a deduction of R$30.0 million, are subject to reserve requirements, in the amount exceeding: (i) R$3.0 billion, for financial institutions with Tier I component of the PR below R$2.0 billion; (ii) R$2.0 billion, for financial institutions with Tier I component of the PR equal to or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1.0 billion, for financial institutions with Tier I component of the PR equal to or higher than R$5.0 billion and below R$15.0 billion; or (iv) zero, for financial institutions with Tier I component of the PR equal to or higher than R$15.0 billion. If the applicable reserve requirement of a financial institution is equal to or below R$0.5 million, such financial institution will be exempt from setting aside reserve requirements set forth by Circular No. 3,569, although it must provide information to the Central Bank on time deposits held by it. Amounts subject to this reserve requirement shall be deposited in cash in a specific account and, part of such deposits will bear interest at a SELIC-based rate. At the end of each day, deposited amounts shall be equivalent to 100% of the applicable reserve requirement.

Additional Reserve Requirement (Demand Deposits, Saving Accounts and Time Deposits). On August 14, 2002, the Central Bank, issued Circular No. 3,144, as amended, which established an additional reserve requirement on deposits maintained in multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations.

Pursuant to such regulations, the aforesaid entities are required to reserve, on a weekly basis, the cash equivalent of the sum of the following amounts in excess of R$3.0 billion (for financial institutions with adjusted Tier I component of the PR below R$2.0 billion), R$2.0 billion (for financial institutions with Tier I component of the PR below R$5.0 billion and equal to or higher than R$2.0 billion), R$1.0 billion (for financial institutions with Tier I component of the PR below R$15.0 billion and equal to or higher than R$5.0 billion), or zero (for financial institutions with Tier I component of the PR equal to or higher than R$15.0 billion): (i) 11% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement; and (iii) 0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. If the applicable reserve requirement of a financial institution is equal to or below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,144 and amendments thereto. The reserve requirement must be met in cash in a specific account and, at the end of each day, the balance in such account shall be equivalent to 100% of such additional reserve requirement.

Deposits and Guarantees. Pursuant to Circular 3,090 of March 1, 2002, financial institutions are required to deposit with the Central Bank, on a non-interest bearing basis, an amount in cash equivalent to 45.0% of the amounts corresponding to the sum of the average balance of (i) deposits made by individuals or legal entities domiciled abroad, compulsory deposits and tied deposits (*depósitos vinculados*) in excess of R$2.0 million and (ii) agreements with assumption of obligation related to transactions carried out in Brazil and guarantees granted by them (*garantias realizadas*) in excess of R$2.0 million. At the end of each day, the balance in such account shall be equivalent to at least 100% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Foreign currency. Pursuant to Circular No. 3,548, of July 8, 2011, as amended, financial institutions authorized to carry out foreign exchange transactions are required to deposit 60% of their daily exposure in foreign currencies exceeding the lesser of: (i) the amount equivalent to US$3.0 billion; or (ii) the amount equivalent to the Tier I component of the PR of the financial institution. Financial conglomerates may calculate these reserve requirements on a consolidated basis, in which case a 60% rate will be applied over the financial conglomerate's daily exposure in foreign currencies, deducted from the daily long positions in foreign currencies, exceeding the lesser of: (i) the amount equivalent to US$1.0 billion; or (ii) the amount equivalent to the Tier I component of the PR of the financial conglomerate. Deposits will be made with the Central Bank on a non-interest bearing basis. If the applicable reserve requirement of a financial institution or financial conglomerate is equal to or below R$0.1 million, such financial institution will be exempt from setting aside reserve requirements set forth by Circular No. 3,548. In addition, in the past, the Central Bank imposed certain compulsory deposit requirements on other types of transactions that are no longer in effect. However, the Central Bank may restore these requirements or impose similar or more stringent restrictions in the future.

Asset Composition Requirements

Permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred charges) of Brazilian financial institutions may not exceed 50.0% of the sum of their PR, calculated in accordance with criteria established by the Central Bank.

Brazilian financial institutions cannot have more than 25.0% of their PR allocated to credit transactions (including guarantees) extended to the same customer (including its parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their PR.

Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are sale and repurchase agreements involving the sale of securities. Repurchase transactions carried out in Brazil are subject to operating capital limitations based on the financial institution's PR. A financial institution may only carry out repurchase transactions for an amount up to 30 times its PR. Within this limitation, repurchase transactions involving private bonds may not exceed five times the amount of PR.

Transactions with Affiliates

Law No. 7,492, enacted on June 16, 1986, which regulates crimes against the Brazilian financial system, defines as a crime the extension of credit by a financial institution to any of its directors or officers and certain of their family members, as well as any entity controlled directly or indirectly by such financial institution or which is subject to common control of such financial institution (except loans to leasing subsidiaries). Violations of Law No. 7,492 are punishably by two to six years' imprisonment and a fine. On June 30, 1993, the Central Bank issued Resolution No. 1,996, which requires any such transaction to be reported to the Public Ministry's office.

Foreign Currency Loans

Pursuant to Central Bank regulation, financial institutions may borrow foreign currency denominated funds in international markets without obtaining the Central Bank's prior written consent, including to on-lend such funds to Brazilian individuals or companies in Brazil and other financial institutions. Banks make these on-lending transactions through loans payable in *reais*, though they are adjusted by foreign currency variation. The lending terms must reflect the terms of the original transaction. The interest rate charged on the underlying foreign loan must also be consistent with international market practices. In addition to the original cost of the transaction, the financial institution may only charge an additional on-lending fee.

The Central Bank may set limitations on the term, interest rate and general conditions of foreign currency loans. The Central Bank may change such limitations depending on the economic environment and the Brazilian government's monetary policy.

Substantially all foreign credit operations are subject to registration with the electronic system of the Central Bank, through the so-called RDE-ROF Module. Failure to correctly inform the Central Bank of the terms of such foreign credit transaction may subject the financial institution to warnings and fines.

Treatment of Overdue Debts

The Central Bank requires financial institutions to classify credit transactions in accordance with their level of credit risk as either, "AA," "A," "B," "C," "D," "E," "F," "G" or "H" and make provisions according to the risk level attributed to each transaction. Such credit classifications are determined in accordance with criteria set forth from time to time by the Central Bank relating to: (i) the condition of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration and quality of controls, delay in payments, contingencies and credit limits; and (ii) the terms of the transaction, such as its nature and purpose, type of collateral and, in particular, its level of liquidity and the total amount of the credit. Where there are several credit transactions involving the same customer, economic group or group of companies, the credit risk must be determined by analyzing the particular credit transaction of such customer or group which represents the greatest credit risk to the financial institution.

Credit transactions of up to R$50,000 may be classified either by the financial institution's own evaluation method or according to the number of days such transaction is past due, whichever is more stringent. Credit classifications are required to be reviewed:

- on a monthly basis, in the event of a delay in the payment of any installment of principal or interest, in accordance with the following maximum risk classifications:
  (1) 1 to 14 days overdue: risk level A;
  (2) 15 to 30 days overdue: risk level B;
  (3) 31 to 60 days overdue: risk level C;
  (4) 61 to 90 days overdue: risk level D;
  (5) 91 to 120 days overdue: risk level E;
  (6) 121 to 150 days overdue: risk level F;
  (7) 151 to 180 days overdue: risk level G; and
  (8) more than 180 days overdue: risk level H;
- every nine months, in the case of transactions involving the same customer, economic group or group of companies, the amount of which exceeds 5.0% of the adjusted net worth of the financial institution in question; and
- once every 12 months, in all circumstances, except in the case of credit transactions with a customer whose total liability is lower than R$50,000, the classification of which may be reviewed as provided in item (1) above. Such R$50,000 limit may be amended by the Central Bank from time to time and applies only to transactions entered into on or before February 25, 2000.

Failure to comply with the requirements established by the Central Bank will result in the reclassification of any transaction to risk level H.

Credit loss provisions must be made monthly by each financial institution in accordance with the following:

- 0.5% of the total amount of credit transactions classified as level A;
- 1.0% of the total amount of credit transactions classified as level B;

- 3.0% of the total amount of credit transactions classified as level C;
- 10.0% of the total amount of credit transactions classified as level D;
- 30.0% of the total amount of credit transactions classified as level E;
- 50.0% of the total amount of credit transactions classified as level F;
- 70.0% of the total amount of credit transactions classified as level G; and
- 100.0% of the total amount of credit transactions classified as level H.

Facilitation of Financial Sector Consolidation

The Brazilian government established a set of rules with the purpose of facilitating corporate reorganizations among financial institutions in order to assure the liquidity and solvency of the national financial system and safeguard the interests of depositors and investors. The main measures include: (i) granting the Central Bank power to determine the decrease in current levels of mandatory capitalization and to regulate the transfer of control and/or corporate restructuring of financial institutions; (ii) the establishment by the Central Bank of a special credit facility, known as the Program for the Improvement and Enhancement of the National Financial System (*Programa de Estímulo à Reestruturação e ao Fortalecimento do Sistema Financeiro Nacional*), or PROER, for the specific purpose of financing financial institutions which acquire control or assets and obligations of other financial institutions or whose control is transferred to third parties; and (iii) the creation of certain tax benefits for the financial institutions which are financed by the PROER.

The PROER was created to protect savings and investments in Brazil. The PROER allows the Central Bank to intervene in order to protect against failures of financial institutions facing liquidity crises. The creation of the PROER streamlined the process by which the government could acquire control of a failing financial institution and granted the Central Bank authority to determine an appropriate course of action to prevent failure of any such financial institution, whether through a capital increase, merger, spin-off or otherwise.

Non-compliance by a financial institution with these rules could subject it to the Temporary Special Administration Regime (*Regime de Administração Temporária*), or RAET, as described below. The PROER was established to strengthen prudent supervision of financial institutions by means of verification of liquidity and asset quality. These measures were similar to current measures being implemented in the United States and Europe in response to the current global financial crisis.

Internal Compliance Procedures

All financial institutions must have in place internal policies and procedures to control:

- their financial, operational and management information systems; and
- their compliance with all applicable regulations.

The board of executive officers of the financial institution is responsible for implementing an effective internal controls structure by defining responsibilities and control procedures and establishing corresponding objectives and procedures at all levels of the institution. The board of executive officers is also responsible for verifying compliance with all internal procedures. The internal auditing department of a financial institution reports directly to the board of executive officers or management of the institution, as applicable. The external auditors are responsible for issuing a report on the internal control system.

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the Bank of International Settlements, or BIS. The Brazilian Payment and Settlement System (*Sistema de Pagamentos Brasileiro*), or SPB, began operating in April 2002. The Central Bank and the CVM have the power to regulate and supervise SPB. Pursuant to these rules, all clearing houses are required to adopt procedures designed to minimize the possibility of systemic crises and the risks previously articulated by the Central Bank. The most important principles of SPB are the following:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

Insolvency Laws Concerning Financial Institutions in Brazil

Financial institutions are subject to the proceedings established by Law No. 6,024, enacted on March 13, 1974, and Decree No. 2,321, enacted on September 8, 1987, which establish the applicable provisions in the event of intervention, temporary administration or extra-judicial liquidation by the Central Bank, as well as to bankruptcy proceedings.

Intervention and extra-judicial liquidation occur when a financial institution is in a precarious financial condition or upon the occurrence of events that may impact the creditors' situation. Such measures are imposed by the Central Bank in order to avoid the bankruptcy of the entity.

Intervention

Pursuant to Law No. 6,024/74, the Central Bank has the power to appoint an intervener to intervene in the operations of or to liquidate any financial institution other than public financial institutions controlled by the Brazilian federal government. An intervention may be ordered at the discretion of the Central Bank if any of the following is detected:

- due to mismanagement, the financial institution has suffered losses leaving creditors at risk;
- the financial institution has consistently violated Brazilian banking laws or regulations;
- the financial institution fails to pay net debts as they fall due without a relevant legal reason;
- the financial institution is involved in enforcement proceedings and fails to pay or secure payment of the debt;
- the financial institution uses fraudulent means to pay debts;
- the financial institution calls the creditors to propose renegotiation of debts or assignment of assets;
- the financial institution delays payments or defrauds creditors (or seeks to delay payments or defraud creditors) by selling assets or entering into simulated transactions (sham);
- the financial institution sells its main assets to third parties without approval from all creditors and without remaining with sufficient assets to secure payment of debts;
- the financial institution creates (or seeks to create) security over assets, in respect of existing debts, without maintaining sufficient free and clear assets to secure payment of debts; or
- the financial institution leaves its establishment without a legal representative to run the business and without sufficient assets to pay creditors.

Except for the first two bullet points above, these situations would be grounds for an intervention only to the extent that it is a feasible alternative to the liquidation of the financial institution.

As of the date on which it is ordered, the intervention will automatically: (i) suspend the enforceability of payable obligations; (ii) suspend maturity of any previously contracted obligations; and (iii) freeze deposits existing on the date on which the intervention is ordered. The intervention ceases: (a) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Central Bank; (b) when the situation of the financial institution is normalized, as determined by the Central Bank; or (c) when extra-judicial liquidation or bankruptcy of the entity is ordered.

Intervention may also be ordered upon the request of a financial institution's management. Any such intervention period should not exceed nine months, which may be extended only once for up to six additional months by the Central Bank. The intervention proceedings are terminated if the Central Bank establishes that the irregularities that have triggered an intervention have been eliminated. Otherwise, the Central Bank may extra-judicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy under the Brazilian Bankruptcy Law, or BBL, among other situations, if the assets of the intervened institution are insufficient to satisfy at least 50.0% of the amount of its outstanding unsecured debts.

Extra-judicial Liquidation

Extra-judicial liquidation is an administrative proceeding ordered by the Central Bank (to financial institutions other than those controlled by the Brazilian federal government) and conducted by a liquidator appointed by the Central Bank. This extraordinary measure aims at terminating the activities of a troubled financial institution, liquidating its assets and paying its liabilities, as in an-extra judicially decreed bankruptcy.

The Central Bank will order the extra-judicial liquidation of a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they become due, or upon the occurrence of an event that indicates a state of insolvency under the rules of the BBL;
- management seriously violates Brazilian banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unprivileged and unsecured creditors to severe risk; and/or
- upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days or, if initiated, the Central Bank determines that the pace of the liquidation may harm the institution's creditors.

The decree of extra-judicial liquidation will: (i) suspend the actions or foreclose on rights and interests relating to the estate of the entity being liquidated, and no other actions or executions may be brought during the liquidation; (ii) accelerate the obligations of the entity; (iii) interrupt the statute of limitations with regard to the obligations assumed by the institution; (iv) avoid penalties provided in agreements that became due by virtue of the extra-judicial liquidation; (v) ratably deduct interest until the date when the debts are paid in full; (vi) avoid fines for infringement of criminal or administrative laws; and (vii) freeze all assets belonging to the managers (who acted as managers in the 12 months preceding the declaration of liquidation of the financial institution (this rule also applies to the intervention process)) until their respective liabilities are fully settled.

The extra-judicial liquidation will also cease: (i) if interested parties undertake to continue the company's business activities, by presenting the necessary guarantees, at the discretion of the Central Bank; (ii) with the approval of the final accounts of the liquidator and entry in the appropriate public registry; (iii) when converted into ordinary liquidation; or (iv) with a decree of bankruptcy.

On the other hand, a request for liquidation procedures can be filed on reasonable grounds by the officers of the respective financial institution or by the receiver appointed by the Central Bank in the receivership proceedings.

Temporary Special Administration Regime (RAET)

In addition to the intervention procedures described above, the Central Bank may also establish a RAET, which is a less intrusive form of intervention in private and non-federal public financial institutions. A RAET also allows troubled institutions to continue to operate their activities in the ordinary course. The RAET may be ordered in the case of an institution which:

- enters into recurrent operations that are against economic or financial policies set forth in federal law;
- faces a shortage of assets;
- fails to comply with the compulsory reserves rules;
- has reckless or fraudulent management;
- carries out activities which call for an intervention; or
- the occurrence of any of the situations described above that may result in a declaration of intervention.

The main objective of a RAET is to assist the troubled institution under special administration to recover and avoid intervention and/or liquidation. A RAET does not affect the day-to-day business, operations, liabilities or rights of the financial institution, which continues to operate in the ordinary course.

There is no minimum term for a RAET, but such procedure ceases upon the occurrence of any of the following events: (i) acquisition of control of the financial institution by the Brazilian federal government, (ii) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (iii) decision by the Central Bank or (iv) declaration of extra-judicial liquidation of the financial institution.

Repayment of Creditors in a Liquidation or Bankruptcy

In the event of extra-judicial liquidation or bankruptcy of a financial institution, creditors are paid pursuant to their priorities and privileges. Pre-petition claims are paid on a pro rata basis in the following order:

- labor claims, capped at an amount equal to 150 times the minimum wages per employee, and claims relating to occupational accidents;
- secured claims up to the encumbered asset value;
- tax claims, except tax penalties;
- claims with special privileges;
- claims with general privileges;
- unsecured claims;
- contractual fines and pecuniary penalties for breach of administrative or criminal laws, including those of a tax nature; and
- subordinated claims.

Super-priority and post-petition claims (for example, costs related to the liquidation or bankruptcy procedure, as defined under the BBL), are paid with preference over pre-petition claims.

In November 1995, the Central Bank created FGC to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy or other state of insolvency. The member entities of the FGC are financial institutions, which take demand, time and savings deposits, as well as savings and loan associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits.

The FGC is a deposit insurance system that guarantees, pursuant to CMN Resolution No.4,087 of May 24, 2012, as amended, a maximum amount of R$70,000 of deposit and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, two laws, introduced in 1995, affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank’s general creditors for the repayment of debts. Second, Law No. 9,450 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations adopted by CMN’s Resolution No. 1,065 of December 5, 1985, as amended, provides penalties that can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such a cancellation is applicable under certain circumstances established by the Central Bank, such as in the case of repeated violation of the Central Bank regulations by the management of the financial institution or negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

Pursuant to CMN’s Resolution No. 4,122 of August 2, 2012, the Central Bank may also cancel the financial institution’s authorization to operate if one or more of the following situations occur: (i) failure to carry out the financial transactions that usually characterize the type of financial institution in which the respective entity is classified, (ii) operational inactivity, without acceptable justification, (iii) the institution is not located at the address that was provided to the Central Bank, (iv) failure to provide the financial statements required by the regulations to the Central Bank for over four months without acceptable justification, and/or (v) failure to observe the agreed business plan. The cancellation of a banking license may only occur after the appropriate administrative proceedings are carried out by the Central Bank.

Anti-Money Laundering Regulations and Banking Secrecy in Brazil

Pursuant to Circular 3,461 enacted by the Central Bank on July 24, 2009, as amended, which consolidated and improved Brazilian anti-money laundering legislation, financial institutions (including their branches and subsidiaries abroad) are required to: (i) keep up-to-date records regarding their customers (including statements of purpose and nature of transactions and the verification of characterization of customers as politically-exposed individuals); (ii) adopt preventive policies and internal procedures; (iii) record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money, including specific registries for issuance or recharging of prepaid cards; (iv) maintain records of transactions carried out by individuals or entities belonging to the same group of companies in an amount that exceeds R$10,000 in a calendar month or reveals a pattern of activity that may suggest a scheme to avoid identification; (v) review transactions or proposals that may indicate criminal activity; (vi) maintain records of every transfer of funds related to (a) deposits, wire transfers, and checks, among others and (b) issuances of checks and order of payments, among others, in amounts that exceed R$1,000; and (vii) notify the relevant authority of any transaction that may be considered suspicious by the financial institution.

The financial institutions must inform the Central Bank (without notifying the customer) of any transactions of the type referred to under (iii) and (iv) above that exceed R$100,000. Notwithstanding, the financial institutions must review transactions that have characteristics which may indicate the existence of a crime and inform the Central Bank within one business day of the proposed or executed transaction, in accordance with Law No. 9,613 enacted on March 3, 1998, as amended. The records referred to above must be maintained for at least five years or ten years, depending on the nature of the information, from the end of the relationship with the customer. Failure to comply with any of the obligations indicated above may subject the financial institution and its officers and directors to fines and penalties that vary in amount (between 1.0% and 100.0% of the transaction amount or 200.0% over any profit generated or over the transaction amount) and which could lead to officers and directors to be considered ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances. On March 3, 1998, the Brazilian government created the Council of Control of Financial Activities (*Conselho de Controle de Atividades Financeiras*), or COAF, which operates under the Ministry of Finance. The purpose of the COAF is to investigate, examine, identify and impose administrative penalties in respect of any suspicious or unlawful activities related to money laundering in Brazil. The COAF is comprised of a president appointed by the Ministry of Finance and eleven members of the council, one of whom is appointed by each of the following entities: (i) the Central Bank; (ii) the CVM; (iii) the Ministry of Foreign Affairs; (iv) the SUSEP; (v) the Federal Revenue Service (*Secretaria da Receita Federal*); (vi) the Office of the Attorney-General of the Brazilian National Treasury; (vii) the Federal Police Department; (viii) the Federal Intelligence Agency; (ix) the Ministry of Justice; (x) the Ministry of Social Security; and (xi)Federal General Controller (*Controladoria Geral da União*). The term of office of each of the president and the other members of the council is three years.

On March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force. The main measures include: (i) enactment of Circular No. 3,583, which sets forth that (a) financial institutions must not initiate any relationship with clients or proceed with existing relationships, if it is not possible to fully identify such clients and (b) anti-money laundering procedures are also applicable to agencies and subsidiaries of Brazilian financial institutions located abroad; (ii) enactment of Circular No. 3,584, establishing that the institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify if the other party is physically present in the country where it was organized and licensed or is effectively supervised; and (iii) enactment of Letter Circular No. 3,542, which increases the list of examples of transactions and situations which may characterize evidence of occurrence of money laundering, tending to improve the communication between financial institutions and the COAF.

Brazilian financial institutions are also subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers. The only circumstances in which information about customers, services or transactions of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply to credit reference agencies of information based on data from the records of issuers of bank checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, in which case the financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts when necessary for the investigation of such acts. Complementary Law No. 105/01 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, *provided* that a specific treaty in that respect may have been previously executed.

Politically Exposed Individuals in Brazil

Pursuant to Circular No. 3,461, issued by the Central Bank on July 24, 2009, as amended, financial institutions (including their branches and subsidiaries abroad) and other institutions authorized to operate by the Central Bank are required to take certain actions to establish business relationships with, and to follow-up on, financial transactions of customers who are deemed so-called "politically exposed individuals."

For purposes of this regulation, politically exposed individuals are public agents and their immediate family members, spouses, life partners and step-children who occupy or have occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions.

Circular No. 3,461 provides that the internal procedures developed and implemented by such financial institutions must be structured in such a way as to enable the identification of politically exposed individuals, as well as the origin of the funds involved in the transactions of such customers.

Auditing Requirements

We are required under the rules set forth by the Central Bank to prepare financial statements in accordance with the rules and accounting guidelines from the Central Bank (which are also part of Brazilian GAAP). As a financial institution, we are required by the Central Bank to (i) present annual and semi-annual audited financial statements; and (ii) file quarterly financial information with the Central Bank, with a specific review report prepared by independent auditors.

Under CMN Resolution No. 3,786 enacted on September 24, 2009, as from December 31, 2010, we are required to present, in addition to the statutory annual financial statements prepared under the accounting guidelines from the Central Bank, annual consolidated financial statements prepared in accordance with IFRS, and accompanied by an independent audit report confirming that the financial statements have been so prepared.

Independent Auditors in Brazil

On May 27, 2004, the CMN issued Resolution No. 3,198, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as clearing houses and clearing and custody service providers. According to CMN Resolution No. 3,198, financial institutions (except for microcredit loan societies) must be audited by independent auditors. Financial institutions may only engage independent auditors that are duly registered with the CVM and certified as specialists in banking analysis by the Central Bank. The Central Bank has recently amended previous rules it had established regarding the independence of auditors, and its current rules require a rotation for a period of at least five consecutive years for the partner in charge, manager, supervisor or any other members of the independent audit team who have had a managerial level role in the auditing work of a financial institution. Additional requirements imposed by the Central Bank relating to the work performed by independent auditors for a financial institution in Brazil, include the following:

- review during the execution of audit procedures, to the extent deemed necessary, the financial institution's internal controls and procedures, including in relation to its electronic data processing system, and identify any potential failings; and
- report on the financial institution's non-compliance with any applicable regulation to the extent it is material to its financial statements or activities.

Independent auditors and the fiscal council, when established, must notify the Central Bank of the existence or evidence of error or fraud within three business days of the identification of such error or fraud, including:

- non-compliance with rules and regulations that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the management of the institution;
- material fraud perpetrated by the institution’s employees or third parties; and
- material errors in the accounting records of the audited entity.

Audit Committee

CMN Resolution No. 3,198, as amended, requires financial institutions and certain other entities holding a reference net worth equal to or greater than R$1.0 billion to establish a corporate body designated as an "audit committee," which must be composed of at least three individual members, with a maximum term of office of five years each for publicly held companies. At least one of the members of the audit committee must have specific accounting and financial knowledge. The institution’s fiscal council may perform the duties of the audit committee, provided it operates on a permanent basis, subject to the provisions of Resolution No. 3,198.

In addition, Brazilian legislation also permits the creation of a single committee for an entire group of companies. In this case, the audit committee or the fiscal council, as the case may be, should be responsible for any and all financial institutions comprising the same group, *provided* that these financial institutions comply with the requirements mentioned above.

Ombudsman Office

CMN Resolution No. 3,849, of March 25, 2010, or Resolution No. 3,849, establishes that financial institutions and other entities authorized to operate by the Central Bank (in the latter case, to the extent they have micro-enterprises as clients) are required to create an ombudsman office, or Ombudsman Office, independent from internal audit, and compatible with the nature and complexity of their products, services, activities, processes and systems. The Ombudsman Office needs to meet the requirements set forth in Resolution No. 3,849, taking into account efficiency in responding to clients’ complaints and opinions, internal handling of deficiencies identified in operating processes, staff training, semi-annual reporting to the Central Bank, and adding value to the Bank’s business and internal control through appropriate reporting to senior management on the nature of these demands.

Pursuant to Resolution No. 3,849, the by-laws of financial institutions shall provide for: (a) the duties of the Ombudsman Office; (b) criteria for the election and the removal of the ombudsman, as well as its term of office; and (c) the express commitment of the financial institution to create conditions to permit the Ombudsman Office to operate transparently, independently, impartially and objectively, and ensure the Ombudsman Office’s access to information to prepare replies to the complaints received.

Resolution No. 3,849 sets forth that financial institutions are required to appoint an ombudsman and an officer responsible for the Ombudsman Office before the Central Bank, *provided* that the following requirements are met:

- the officer responsible for the Ombudsman Office is authorized to hold another position at the financial institution, except for the position as officer responsible for managing third party funds;
- in case of full-service banks, commercial banks, savings and loans banks and credit, financing and investment companies, the ombudsman cannot hold any other position in the financial institution, except for the position as officer responsible for the Ombudsman Office;
- if the same person is appointed to both the ombudsman and the Ombudsman Office’s officer positions, such person is prohibited from holding any other position in such financial institution; and

- the information data about the officer responsible for the Ombudsman Office and the ombudsman must be inserted and updated into the information system designated by the Central Bank.

Foreign Investment in Brazilian Financial Institutions

The Constitution of Brazil permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the President of Brazil based on national interest or reciprocity. In addition, foreign investors may acquire publicly traded non-voting shares of Brazilian financial institutions traded on a stock exchange without specific authorization.

Regulation of Branches and Subsidiaries

As provided by CMN Resolution No. 2,723, of May 31, 2000, as amended by CMN Resolution No. 4,062 of May 29, 2012, the Central Bank requires authorization for operations of foreign branches or subsidiaries of Brazilian financial institutions, including compliance with the following: (i) the institution must have been in operation for at least six years; (ii) the institution must be in compliance with operational limits currently in force; (iii) the institution's paid-up capital and net worth must meet the minimum levels established in Exhibit II to CMN Resolution No. 2,099, of August 17, 1994, as amended, plus an amount corresponding to 300.0% of the minimum paid-up capital and net worth required by Central Bank regulations for the installation of commercial banks; and (iv) the Brazilian financial institution must present to the Central Bank a study on the economic and financial viability of the subsidiary, branch or investment.

In addition, the Central Bank will only grant such authorization if it has access to information, data and documents relating to the operations and accounting records of the financial institution in which it has a direct or indirect holding abroad. Any delays in providing the Central Bank with the required information and documents will subject the relevant financial institution to fines. Furthermore, the failure by a Brazilian bank to comply with the requirements of CMN Resolution No. 2,723 would imply the deduction of a designated percentage of the assets of such branch or subsidiary from the net worth of such bank for the purpose of calculating such bank's compliance with the capital adequacy requirements of the Central Bank, regardless of other penalties applied pursuant to the applicable regulation, including the cancellation of the authorization of the Central Bank.

The Central Bank's prior authorization is also required: (i) in order to allocate new funds to branches or subsidiaries abroad; (ii) for capital increases, directly or indirectly, of subsidiaries abroad; (iii) in order to increase equity interests, directly or indirectly, in subsidiaries abroad; and/or (iv) in order to merge with or spin-off from, directly or indirectly, subsidiaries abroad. These requirements are only applicable if such subsidiary is a financial institution or similar entity.

Equity Participations by Financial Institutions

As provided by CMN Resolution No. 2,723, of May 31, 2000, as amended by CMN Resolution No. 4,062, of May 29, 2012, financial institutions may only directly or indirectly hold equity in legal entities (incorporated locally or abroad) that supplement or subsidize the financial institutions' activities, provided they obtain prior authorization from the Central Bank and that the other entity does not hold equity of the financial institution. However this requirement for authorization does not apply to (i) equity interests typically held in the investment portfolios of investment banks, development banks, development agencies (*agências de fomento*) and multiservice banks with investment or development portfolios; and (ii) temporary equity interests not registered as permanent assets of the financial institution.

Asset Management Regulation

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Law No. 10,198, of February 14, 2001, as amended, and Law No. 10,303 of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds, as well as transactions involving derivatives, were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. The asset management industry is also self-regulated by ANBIMA (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), which enacts additional rules and policies, especially with respect to marketing and advertising.

According to CVM Instruction No. 306, of May 5, 1999, as amended, individuals or entities authorized by the CVM may act as managers of third party assets. Financial institutions must segregate the management of third party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets.

The Central Bank, except in very specific circumstances, has prohibited institutions that manage third party assets and their affiliated companies from investing in fixed rate income funds that they also manage. The CVM allows investments in equity funds. There are specific rules regarding mutual fund portfolio diversification and composition, which aim to reduce exposure to certain types of risk.

The Central Bank issued Circular No. 3,086 of February 15, 2002, as amended, which establishes criteria for the registration and accounting evaluation of titles, securities and financial instruments, derivatives that form financial investment funds, application funds in quotas at investment funds, individual programmed retirement funds and offshore investment funds. By this Circular, the Central Bank ordered fund managers to mark their fixed-income securities to market. Hence, the fund’s portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity. As a result of this mark-to-market mechanism, the fund quotas reflect the fund’s net asset value.

On August 18, 2004, the CVM enacted Instruction No. 409, as amended, which consolidated the rules applicable to investment funds (except for structured investment funds, which are regulated by specific rules).

Regulation in the Cayman Islands

Banks and trust companies in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2009 Revision). Licenses are granted by the Cayman Islands Monetary Authority. It is government policy that bank licenses should only be granted to applicants with an established track record in the banking or finance industry and that a branch or a new entity is or will be a member of a group with acceptable home-base supervising regulation.

Under the Banks and Trust Companies Law (2009 Revision), as amended, there are two basic categories of banking license: an "A" license, which permits unrestricted domestic and off-shore business, and a "B" license, which permits only off-shore business. According to the Cayman Islands Monetary Authority’s website, currently there are 15 banks holding "A" licenses and 218 banks holding "B" licenses. The holder of a "B" license may have an office in the Cayman Islands and conduct business with other licensees and offshore companies but, except in limited circumstances, may not do business locally with the public or residents in the Cayman Islands.

Branches of foreign banks operating in the Cayman Islands, such as Banco BTG Pactual S.A., must maintain the minimum capital adequacy requirements as stipulated by their home jurisdictions. All other bank license holders are required to comply with the Cayman Islands Monetary Authority’s implementation of the Basel II Framework for capital adequacy requirements.

Regulation in Bermuda

Overview

BTG Pactual Participations and BTGI are subject to Bermuda laws. Bermuda is a self-governing dependent territory of the United Kingdom. Bermuda’s legal system is based upon the English legal system. Bermuda has its own legislature which enacts legislation for Bermuda. In addition, certain United Kingdom legislation is extended to Bermuda by the United Kingdom legislature and is effective in Bermuda.

Bermuda courts frequently cite and apply English case law. Decisions of the English House of Lords and Court of Appeal are regarded as highly persuasive and are generally followed by Bermuda courts. Decisions of English trial courts and Commonwealth courts are also cited in Bermuda. Their persuasiveness depends on the strength of the judicial reasoning and the standing of the judge who issued the decision. The Judicial Committee of the Privy Council sitting in London is the highest appellate court for Bermuda and decisions of that Committee are formally binding upon Bermuda courts.

Insolvency

Bermuda law recognizes the rights of secured creditors to enforce security given by a Bermuda company over its property. Secured creditors may appoint receivers if this right is expressly given in the relevant charge document or a Bermuda court may do so in its discretion. Bermuda's insolvency regime is otherwise premised upon the concept of *pari passu* distribution of assets amongst the creditors of the insolvent company.

Insolvency proceedings to which a Bermuda company may be subject in Bermuda are (i) liquidation and (ii) receivership. Two additional reorganization processes under Bermuda law not necessarily related to the insolvency of the party are (i) winding up on just and equitable grounds and (ii) schemes of arrangement.

There are two types of insolvent liquidations in Bermuda – voluntary and compulsory. A voluntary liquidation is usually brought at the instance of the company itself, while a compulsory liquidation is commenced by way of a petition presented to the Supreme Court in Bermuda by creditors or shareholders upon which the Supreme Court will be requested to make a winding up order. There are a number of circumstances provided for in Section 161 of the Bermuda Companies Act in which a Bermuda company may be wound up by the Supreme Court, the most common of which is when the company is insolvent.

In the case of insolvency, the petition can be presented by the company, a creditor or shareholder, and for this purpose "creditor" includes a contingent or prospective creditor. The petitioner must show that the company is insolvent, which can be proved in one of three ways:

- commercial insolvency, whereby the company is unable to pay its debts as they fall due;
- balance sheet insolvency, whereby assets do not exceed liabilities; or
- if a statutory demand for a liquidated sum is served on the company and remains unpaid, without reasonable excuse, for at least three weeks.

Upon granting the appointment of a liquidator, the rights and duties of the directors of an insolvent Bermuda company cease. The liquidator is required to collect the assets of the company and distribute them *pari passu* amongst unsecured creditors. There are no bankruptcy treaties in force under the laws of Bermuda.

A Bermuda court may make an order in a Bermuda liquidation proceeding that will aid insolvency proceedings involving assets of a Bermuda company located outside Bermuda. Such an order may include: (i) making orders or granting such relief as may be appropriate to facilitate or implement arrangements to coordinate Bermuda insolvency proceedings with foreign insolvency proceedings; (ii) appointing a provisional liquidator in respect of any property of the debtor; (iii) staying or terminating or making any order in relation to Bermuda insolvency proceedings as the court consider appropriate; and (iv) making such orders or granting such other relief as the court considers appropriate.

Under Bermuda law, certain transactions may be set aside or otherwise be varied or amended by order of a Bermuda court when an insolvent Bermuda company goes into liquidation. This primarily occurs when there is an impugned transaction is (i) a fraudulent preference; or (ii) a transaction which is a fraud on creditors.

REGULATORY OVERVIEW

Section 237 of the Bermuda Companies Act provides that transactions involving payments to creditors within six months prior to a petition for insolvent liquidation being presented may be set aside if made with the dominant intention of preferring those creditors over others.

Under the Bermuda Conveyancing Act, as amended, certain dispositions of a Bermuda company's property are voidable if (i) the disposition was made with the dominant purpose of putting the property out of the reach of creditors and (ii) an obligation to the person seeking to set the disposition aside existed at the time of the disposition or was reasonably foreseeable at that time. The limitation period on such dispositions is six years from the transfer or, if later, from the time when the obligation arose or cause of action accrued. Transactions entered into on an arm's length basis are unlikely to constitute transactions which are capable of being avoided under this statute.

Under Section 166 of the Bermuda Companies Act, any disposition of the company's property made after the commencement of the winding-up is, unless the court orders otherwise, void. Directors and officers may be personally liable for debts of the company if it is determined that they carried on the business of the company knowing it was insolvent and with the intent to defraud creditors (Section 246 of the Bermuda Companies Act). A liquidator has the power to investigate the affairs of an insolvent company and to determine and, if felt necessary, take action against directors for breach of duty.

Any floating charge made within 12 months immediately preceding presentation of the petition shall be invalid unless (a) the company was solvent at the time of creation or (b) the charge was in respect of monies advanced specifically at the time the security was given.

Set-off in respect of debts is permissible provided there exists mutuality and the sum in question is a debt as at the date of liquidation.

A final and conclusive judgment in the superior courts of the United Kingdom against BTG Pactual Participations under which a sum of money is payable (not being in respect of multiple damages, or a fine, penalty, tax or other charge of similar nature) would, on registration in accordance with the provisions of The Judgments (Reciprocal Enforcement) Act 1958 of Bermuda, be enforceable in the Supreme Court of Bermuda against a Bermuda company without the necessity of any retrial of the issues subject of such judgment or any re-examination of the underlying claims; however, where such foreign judgment is expressed in a currency other than Bermuda dollars, the registration will involve the conversion of the judgment debt into Bermuda dollars on the basis of the exchange rate prevailing at the date of such judgment as is equivalent to the judgment sum payable. The present policy of the Bermuda Monetary Authority is to give consent for the Bermuda dollar award made by the Supreme Court of Bermuda to be paid in the original judgment currency.

Exemption from Authorization

BTGI has received an exemption from the Bermuda Monetary Authority pursuant to Section 7 of the Investment Funds Act 2006, as amended, or IFA, from the requirement of authorization under the IFA. As an exempt fund, BTGI is required, among other things, to pay an annual fee and appoint a recognized administrator and auditor.

Regulation in the United Kingdom

One of our operating entities, BTG Pactual Europe LLP, or BTG Pactual Europe, is authorized by the FSA to provide investment services in the United Kingdom. As an FSA authorized investment advisor, BTG Pactual Europe's operations are subject to the supervision of the FSA, and BTG Pactual Europe is required to comply with the rules issued by the FSA regarding its operations. The FSA rules require BTG Pactual Europe to meet the standard set for different areas of its operations. The FSA rules are concerned with, among other matters, the following items:

- satisfying at all times the threshold conditions for authorization;

- having adequate senior management arrangements, systems and controls which includes operational, market, counterparty and other risk assessment;
- regulatory capital requirements;
- conduct of business requirements, including the fair treatment of customers and the suitability of investment decisions made for client portfolios;
- training and qualifications of employees and management;
- complaints handling processes;
- internal systems and controls with regard to market abuse and insider dealing; and
- executive remuneration.

BTG Pactual Europe must also, in undertaking its business and operations, act in accordance with the FSA's Statements of Principle for Businesses, or the Principles. Pursuant to these Principles, BTG Pactual Europe is required to:

- conduct its business with integrity and with due skill, care and diligence;
- take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- maintain adequate financial resources;
- observe proper standards of market conduct;
- pay due regard to the interests of its customers and treat them fairly;
- pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading;
- manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- arrange adequate protection for clients' assets when it is responsible for them; and
- deal with its regulators in an open and cooperative way, and disclose to the FSA appropriately anything relating to BTG Pactual Europe of which the FSA would reasonably expect notice.

Regulation in the United States

The securities industry is subject to extensive regulation under U.S. federal and state laws. Accordingly, we and certain of our U.S. subsidiaries are subject to regulation, including periodic examination, primarily at the federal level, by the SEC and FINRA, a self-regulatory organization, and other government agencies and regulatory bodies.

Our subsidiary, BTG Pactual Asset Management US, LLC, is registered as an investment adviser with the SEC and is subject to various laws and regulations that are primarily intended to protect investment advisory clients. The Investment Advisers Act of 1940, as amended, or the Advisers Act, imposes numerous obligations on investment advisers, including record-keeping, operational and marketing requirements, disclosure obligations, and prohibitions on fraudulent activities. Investment advisers are also subject to certain state securities laws and regulations. FINRA itself is subject to oversight by the SEC.

REGULATORY OVERVIEW

Our subsidiary, BTG Pactual US Capital, LLC, is registered as a broker-dealer with the SEC and is a member of FINRA. Our broker-dealer has a membership agreement with FINRA that limits the scope of its permitted activities, and our broker-dealer is required to comply with various laws and regulations. Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of FINRA, BTG Pactual US Capital, LLC is subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Exchange Act. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. Our broker-dealer is required to maintain minimum net capital of US$100,000. Broker-dealers are also subject to certain state securities laws and regulations.

In addition, U.S. Congress, regulators, and others continue to consider increased regulation of the securities industry and, in particular, the private investment fund industry, including placing limits on certain trading activities, increasing trading costs and requiring greater reporting requirements. It is difficult to predict how changes in regulations might affect us, the markets in which we trade and invest, and the counterparties with which we do business. We may be materially and adversely affected by new legislation, rule-making, or other changes in the interpretation of enforcement of existing rules and regulations by various regulators.

Non-compliance with federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines, damage to our reputation and termination of our investment adviser's or our broker-dealer's authorization to conduct its business.

BUSINESS

Overview

We are an investment bank, asset manager and wealth manager with a dominant franchise in Brazil. In addition, we have established a successful international investment and distribution platform. We were founded in 1983 and have operated as a meritocratic partnership since our inception. Currently, we have offices on four continents, and provide a comprehensive range of financial services to a Brazilian and global client base that includes corporations, institutional investors, governments and high net worth individuals, or HNWI.

Our Business

Our seven business units are:

- **Investment Banking**, which provides financial advisory and capital markets services;
- **Corporate Lending**, which offers financing and loan guarantees to corporations;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes;
- **Asset Management**, which offers asset management services with a broad range of products across major Brazilian and international asset classes to Brazilian and international clients;
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI;
- **PanAmericano**, our commercial and consumer banking business conducted through Banco PanAmericano, an independent Brazilian bank that we have co-controlled since mid-2011, which focuses on granting automobile loans, direct consumer loans, payroll deduction loans, middle market loans and mortgages, primarily to individuals and corporations in Brazil; and
- **Principal Investments**, which involves our capital investments with respect to a broad range of financial instruments, including merchant banking and real estate investments in Brazil and investments in a variety of financial instruments in global markets, which investments are primarily managed by our asset management unit.

We are committed to further expand our platform outside of Brazil and in 2012 we acquired Celfin, a leading broker dealer in Chile that also operates in Peru and Colombia and Bolsa y Renta, a leading broker dealer in Colombia. Both Celfin and Bolsa y Renta have a wide array of products and services (concentrating in investment banking, sales and trading, asset management and wealth management). We intend to further expand their operations to include many of the additional products and services we currently offer in Brazil.

We believe our transactions with Celfin and Bolsa y Renta represent milestones in our efforts to replicate our history of success in Brazil throughout Latin America, and uniquely position us as a true leader throughout the region.

Our Structure

BTG Pactual includes both Banco BTG Pactual and BTG Pactual Participations/BTGI. The two entities are sister entities that have the same ultimate beneficial owners. Banco BTG Pactual, our principal operating company, was founded as a small broker-dealer and has grown by creating new business units and expanding the activities within these business units. BTGI is the investment vehicle for many of BTG Pactual's principal investments (including most of its non-Brazilian investments and certain of its Brazilian investments) and was originally formed in late 2008. BTGI acts as a vehicle for part of our principal investment business, and has no operating activities or employees. Its assets are managed by the asset management unit of Banco BTG Pactual, which receives arm's length fees and commissions from BTGI for its services. Such fees and commissions are primarily recorded as revenues in Banco BTG Pactual's asset management unit.

As of December 31, 2012, BTG Pactual has over 2,195 professionals and offices on four continents: South America (São Paulo, Rio de Janeiro, Brasília, Recife, Porto Alegre and Belo Horizonte), North America (New York), Europe (London) and Asia (Hong Kong), including Celfin, which has approximately 500 professionals and offices in Chile, Peru and Colombia as of December 31, 2012, and excluding Bolsa y Renta, which has approximately 260 professionals and offices in Colombia and Peru as of December 31, 2012.

On April 30, 2012, we completed our initial public offering, consisting of 103,500,000 Units, each representing, directly or through depositary receipts, (i) one common share and two preferred shares of the capital stock of Banco BTG Pactual and (ii) one voting share and two non-voting shares of BTG Pactual Participations. The majority of these Units were listed in Brazil on the BM&FBOVESPA, and 129,000 Units were also listed in Europe on the NYSE Alternext Amsterdam, the multilateral trading facility operated by Euronext Amsterdam N.V. The majority of the Units offered in the initial public offering are represented by primary securities, resulting in gross proceeds to us of approximately R$2,587.5 million. We have used, and expect to continue to use, the proceeds from our initial public offering to, among other things, increase our corporate lending and sales and trading operations and develop new lines of business.

Our Combined Results and Financial Condition

For the year ended December 31, 2012, our revenues were R$6,817.6 million and our combined net income was R$3,255.6 million. As of December 31, 2012, our combined shareholders' equity was R$14,145.0 million, and we managed a total of R$170.7 billion in our asset management unit and R$50.7 billion in our wealth management unit. Our different business units produce a combination of fee and trading revenues that have allowed us to consistently generate strong earnings growth and positive returns on equity through varying and at times difficult economic and market conditions. For the five years ended December 31, 2012, our average return on equity was 27.1%, with no year being lower than 21.3%.

The following table shows key performance data on a combined basis for the periods indicated:

	As of and for the year ended December 31,			**CAGR**
	2010	**2011**	**2012**	**2010-2012**
	(in R$ millions, except as otherwise indicated)			**%**
Total revenue(1)(2)	2,524.7	3,201.0	6,817.6	64.3%
Net income	1,127.2	1,921.7	3,255.6	70.0%
Shareholders' equity	7,346.4	8,540.1	14,145.0	38.8%
ROAE (%)(3)(4)	27.5%	24.2%	28.7%	-
AUM and AUA (in R$ billions)(2)	91.5	120.1	170.7	36.60%
WUM (in R$ billions)(2)	31.2	38.9	62.2	41.20%
BIS capital ratio	21.5%	17.7%	17.3%	-

(1) Derived from our unaudited adjusted income statement.
(2) Unaudited.
(3) We determine our average shareholders' equity based on the initial and final net equity for the period.
(4) Figures are presented on an annualized basis.

BUSINESS

Our Partnership

We operate as a partnership, currently with 184 Partners, who are also executives in our group. The Partners currently own approximately 76.4% of our equity, and approximately 71.9% of our equity is part of our partnership, and we refer to such equity as "Partnership Equity." Our 36 most senior Partners, who we consider to be key contributors to our success, own approximately 65.2% of our equity. The portion of our equity not owned by Partners is owned by members of a consortium of investors who purchased such equity in December 2010, former partners of Celfin and Bolsa y Renta and by persons who purchased Units in our initial public offering or thereafter in the public market.

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

In contrast to other investment banking and asset management firms in Brazil and worldwide that have sold equity to the general market in the past, we have implemented several concrete steps to ensure that our partnership model will not change as a result of our initial public offering. Most importantly, our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity at its then current book value rather than at the value at which such equity is then trading in the market or the fair market value of such equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives) at book value. Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of BTG Pactual in its entirety. We believe that the substantial ownership position of our Partners and the maintenance of our partnership in which Partnership Equity is bought and sold at book value on a meritocratic basis will (i) ensure the continued commitment of our most important executives to our success following our initial public offering, (ii) permit us to maintain our unique culture and the competitive advantage it grants us and (iii) permit us to attract and retain future generations of talent, all of which create an unprecedented alignment of the interests of our senior management with the interests of public shareholders. See "Our Partnership."

Our Core Values

Our organization is built and operates on the following set of 12 core values:

Strategic Focus: How we set our strategic direction

- Client focused
- Alpha-based
- Global thinking and presence
- Long-term ambition

People: How we work

- Partnership
- Teamwork

- Hard-working and hands-on
- Grow our own talent

Performance Management: How we achieve superior results

- Meritocracy
- Entrepreneurship
- Excellence
- Bottom line driven and cost conscious

We believe that the culture that results from these core values differentiates us in the market, leads to an integrated organization and ensures superior results.

Our Competitive Strengths

We believe that our competitive strengths include:

Substantial Presence in Brazil, where we are a Dominant Investment Bank, Asset Manager and Wealth Manager, with a Leading Franchise in the Businesses We Operate

We are one of the leading players in Brazil's financial services industry, which we believe to be one of the most attractive financial services markets globally. Given our substantial presence in Brazil, we believe that we are positioned to participate in the vast majority of significant merger and acquisition, financial advisory and capital markets transactions involving Brazilian companies.

Dominant franchise. We operate in Brazil through Banco BTG Pactual, one of the premier brands for investment banking and asset management in Brazil and one of the largest independent investment banks based in the emerging markets. Among other things, we:

- were bookrunners in approximately 50% of all public equity offerings completed in Brazil from 2004 to 2012, and the leading equity underwriter in terms of number of bookmanaged transactions according to ANBIMA. In terms of total volume underwritten, we were the leading underwriter of equity issued by companies listed on BM&FBOVESPA in 2004, 2005, 2007, 2009 and 2012, and the second largest equity underwriter in 2006 and 2011, according to ANBIMA. In 2010, we were the leading equity underwriter in terms of total deals completed according to ANBIMA;
- were ranked first in Brazilian M&A advisory rankings according to Thomson in 2010 and 2011 and provided advisory services in 255 announced M&A transactions from January 1, 2007 through December 31, 2012;
- have an equity research team named among the best research teams in Brazil from 2006 to 2012, and the best research team in Latin America in 2012, according to *Institutional Investor*;
- are one of the largest equity brokerage houses in Brazil in terms of total volume of securities traded, according to BM&FBOVESPA;
- are the largest asset manager in Brazil, excluding retail banks, according to ANBIMA (September 2012), with R$121.5 billion in AUM and R$170.7 billion in AUA as of December 31, 2012;
- had more than R$50.7 billion of WUM as of December 31, 2012; and
- received a number of awards recognizing the excellence of its asset management platform, including: the Best Research team (Latin America and Brazil) and Best Sales and Trading Services team (Brazil) by *Institutional Investor* (2012), the Best Fund Manager in Brazil in 2012 and 2011 by *Exame* magazine – one of Brazil's leading financial magazines, the Best Fund Manager in the

Largest Fixed Income and Flexible Mixed Allocation categories in 2012 by Standard & Poor's and *Valor Econômico* – Brazil's leading financial newspaper in 2012, the Best Global Macro Hedge Fund (for our GEMM fund) in 2012 and 2010 by *Euro Hedge Awards*, the Best Fixed Income Fund Manager in 2011 by Standard & Poor's and *Valor Econômico*, Best Active Multi-Market, Best Active Fixed Income, Best Conservative Fixed Income and Best Wholesale Fund Manager in 2011 by FGV (Fundação Getúlio Vargas) and *Exame* magazine, Best Multi-Market (Interest Rate and Currency) and Conservative Fixed Income Fund Manager in 2010 by FGV (Fundação Getúlio Vargas) and *Exame* Magazine, Best Multi-Market Fund Manager in 2010, Best Fund Manager in Brazil in the equities category from 2007 to 2009, the Top Fixed Income fund manager for 2007 and 2008 and the Best Multi-Asset Funds for 2010 by Standard & Poor's and *Valor Econômico*.

We believe we have a vast knowledge of the Brazilian financial market, can identify business opportunities and trends more quickly and accurately than our competitors in Brazil and, due to our flat management structure and strong capital base, can act more effectively on such business opportunities.

We also have an extensive network of long-standing business contacts and corporate relationships, and we believe we have a strong brand and a reputation for excellence among our target corporate and individual client base.

Attractive opportunities for further growth of our core franchise. The Brazilian financial services industry has grown significantly in recent years, and we believe it is poised for further growth, creating attractive opportunities for the leading market participants such as ourselves. The market for financial services has grown as a result of economic stability and the gains in economic growth momentum and the increase in such services have in turn played a key role in further advancing such improvements in macroeconomic performance.

As a result, according to the CVM, Brazilian issuers engaged in 76 equity transactions raising R$75.5 billion in 2007, in 13 equity transactions raising R$34.9 billion in 2008, in 24 equity transactions raising R$47.1 billion in 2009, in 25 equity transactions raising R$152.2 billion in 2010, in 25 equity transactions raising R$19.2 billion in 2011, and in 13 equity transactions raising R$14.3 billion in 2012 as compared to only six equity transactions raising $6.1 billion in 2002. Brazilian issuers engaged in 57 debt transactions raising R$17.8 billion in 2007, in 82 debt transactions raising R$32.6 billion in 2008, in 170 debt transactions raising R$48.1.1 billion in 2009, in 242 debt transactions raising R$75.4 billion in 2010, in 356 debt transactions raising R$86.3 billion in 2011, and in 358 debt transactions raising R$109.1 billion in 2012 as compared to only 43 debt transactions in Brazil raising R$3.3 billion in 2002, according to ANBIMA.

Consistent with this increase in the number of equity and debt transactions, total credit volume in Brazil grew from 25.7% of GDP in December 2004 to 53.5% of GDP in December 2012, according to the Central Bank.

Despite the considerable progress already made, we believe Brazil still has substantial potential for further improvements in macroeconomic performance and in the financial sector. We believe the conditions for such improvement are already in place. In particular, there is potential for greater penetration of the Brazilian capital markets, and Brazil is well positioned to gain importance as a provider of financial services to other regional economies. Investor interest in the equity and debt securities of Brazilian companies remains strong given Brazil's strong growth prospects and Brazilian issuers are expected to need substantial additional funding.

The Brazilian asset management industry has also grown considerably, with AUM growing from R$739.0 billion as of December 31, 2000 to R$2,261.9 billion as of December 31, 2012, according to ANBIMA, of which 9.0% corresponds to investments in equity securities. We expect the growth in the size and sophistication of the capital and asset management markets to continue the trend of the last decade. In 2011, the Brazilian gross disposable income was R$4,069.6 billion, compared to R$1,653.6 billion in 2003, representing an increase of 146.1% and an average compound annual growth, or CAGR, of 11.9%, according to the IBGE. We believe that increasing wealth in Brazil will stimulate growth in all of our business units.

Established International Asset Management Platform

We have an international asset management platform in London, New York and Hong Kong that, together with our São Paulo and Rio de Janeiro offices, provides Brazilian, emerging market and global investment products and services to our local and international client base. We have over 90 professionals, including 19 of our most senior executives, in our international offices dedicated exclusively to our international asset management business. Our flagship international hedge fund, GEMM, was awarded Best Global Macro Hedge Fund in 2010 and 2012 by *EuroHedge Awards*, a leading trade publication.

Broad Network of International Contacts

The members of the Consortium who have invested in our equity in December 2010 include affiliates of the Government of Singapore Investment Corporation Pte Ltd (GIC), China Investment Corporation (CIC), Ontario Teachers' Pension Plan Board (OTPP), Abu Dhabi Investment Council (ADIC), J.C. Flowers & Co. LLC, RIT Capital Partners plc, Marais LLC, the Santo Domingo Group of Colombia, EXOR S.A., the investment company controlled by the Agnelli family of Italy, and Inversiones Bahía, the holding company of the Motta family of Panama. These investors provide us with a broad range of business contacts throughout Asia, the Middle East, Europe and North and South America, and since their entrance into our capital structure, we have successfully leveraged these contacts to strengthen many of our principal businesses and realize additional revenues. As part of our initial public offering in April 2012, Europa Lux III S.a.r.l, RIT Capital Partners plc, Marais LLC, EXOR S.A. and Rendefeld, S.A. sold part of their equity interest in BTG Pactual.

Our acquisitions of Celfin and Bolsa y Renta in 2012 have already provided us with substantial additional contacts throughout the Andean region, and we have begun to leverage these contacts to gain substantial new relationships and mandates that we believe neither we nor Celfin or Bolsa y Renta might have gained on a stand-alone basis. Finally, we participated as an anchor investor in the September 2011 initial public offering by CITIC Securities Co., or CITICs, a leading Chinese investment bank. We are currently working with CITICs to jointly develop a number of business initiatives, including by co-advising clients seeking to execute transactions involving Chinese and Latin American companies.

Distinctive Culture Stressing Intellectual Capital, Meritocracy, Entrepreneurship and an Unprecedented Alignment of Interests

We operate under a partnership model and a flat management structure that emphasizes the value of intellectual capital, entrepreneurship and meritocracy. We believe this model is the key to our success. We are managed by our Senior Management Team covering our Brazilian and international operations. Our 184 Partners currently own, directly or indirectly, approximately 76.4% of our equity.

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

Our culture also stresses an alignment of interests between our shareholders – including both the members of the Consortium and our public shareholders – and our professionals. Virtually all of our key professionals are Partners and their respective equity ownership in Banco BTG Pactual and BTGI represent significant portions of their personal wealth (and in most cases, the vast majority of such wealth). For our 25 most senior Partners, including our senior traders and investment managers, the earnings and capital appreciation on their BTG Pactual equity exceed the amount they earn in salary and bonuses. We believe that this creates an unprecedented alignment of interests that encourages (i) a rigorous analysis of the risks that we take in our trading and principal investments activities, (ii) our pursuit of strategies that emphasize long-term, consistent and profitable growth, (iii) a long-term commitment to our clients and our reputation, (iv) the maintenance of a lean organizational structure and decision making process and (v) a strong focus on cost controls.

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

Our Track Record of Strong Growth with Consistent Profitability through Various Economic Cycles while Maintaining Strong Capital Ratios and Rigorous Risk Controls

A substantial portion of our Senior Management Team is based in Brazil and has many years of experience leading us throughout various economic cycles, including the Asian crisis (1997), the Russian crisis and Long Term Capital Management crisis (1998), the crisis following Brazil’s currency devaluation (1999), the end of the so-called Internet bubble (2000-2001), the Argentine debt default (2002), the market volatility related to the Brazilian presidential elections (2002-2003) and the recent international financial crisis.

We have generated strong and consistent returns on our capital throughout these various cycles. We have been profitable during each of the last 15 years ended December 31, 2012. For the five years ended December 31, 2012, our average return on equity was 27.1%, with no year being lower than 21.3%.

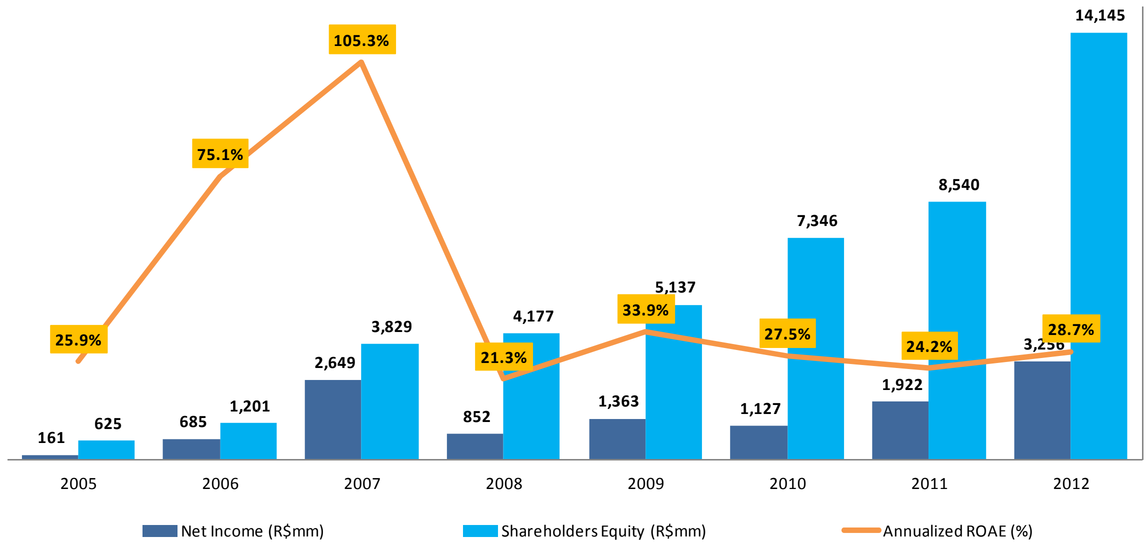
While we seek to generate strong and consistent earnings, we also focus on consistently maintaining strong capital ratios and an adequate risk profile. Our capital adequacy ratio at the end of each year from 2008 to 2012 has been on average 20.3%. As of December 31, 2012, Banco BTG Pactual had a capital ratio of 17.3%. We believe that our track record of consistently maintaining a higher capital ratio than that required by the Central Bank while consistently generating attractive returns on equity highlights our ability to deploy capital efficiently.

Similarly, we maintain a rigorous discipline of risk management and internal controls. We monitor our risks on a daily basis; looking at all dimensions that we believe are relevant to our operations, including market risk, credit risk, liquidity risk, counterparty risk and operational risk. In our risk control framework, we adopt risk models that allow us to measure risks based on the past behavior of markets (VaR) and on our stress test scenarios and simulations. Our senior Partners, who are responsible for the management of the firm’s risks, are closely involved in the execution of the daily operations, and have a deep understanding of the markets in which we conduct our operations. We also have a separate risk management team led by a member of our Senior Management Team. As a consequence, risk management is an integral part of our decision making process, which we believe has allowed us to maintain consistent returns, and to optimize the use of our capital. For example, in the past three years ended December 31, 2012, despite strong growth, our VaR as a percentage of total equity remained relatively stable, as shown in the table below:

	For the year ended and as of December 31,		
	2010	2011	2012
Total average daily VaR	43.1	65.6	95.1
Average daily VaR as % of average equity	0.59%	0.77%	0.67%

We believe that our risk management policy applies the best practices, which have been tested in extremely adverse conditions, including during the 2008 financial crisis. In addition, given that the vast majority of our Partners’ personal wealth consists of their respective equity interests in BTG Pactual, we believe that the interests of the persons taking and monitoring risk at BTG Pactual are more fully aligned with our non-executive shareholders than is the case at our competitors, reinforcing our rigorous risk control and long-term profit strategies.

The following chart shows our combined net income, combined shareholders' equity and return on average equity for the periods indicated:



Experienced Management Team and Motivated Work Force

We have a group of highly talented professionals with a strong reputation in the Brazilian and international financial markets. This group was responsible for establishing and implementing the strategies that permitted us to become one of Brazil's leading financial institutions. Our team includes André Santos Esteves, who was named in 2010 one of the 25 most powerful people in the world of investment banking by *Institutional Investor*, and Persio Arida, who was the President of the Central Bank in 1995, President of the BNDES from 1993 to 1994, and one of the key economists to lead the creation and implementation of the *Real* Plan. Outside of Brazil, our team includes numerous executives with substantial experience in international institutions acting as traders of G-10 and non-Brazilian emerging markets securities or as top executives in global investment banking and asset management business units. These team members have been selected based on both their previous histories of success and our belief that they shared our distinctive business culture and would serve as the cornerstones for implementing this culture in our international offices and in our businesses generally going forward.

We believe that our workforce is highly motivated and efficient, in large part due to our partnership model. As a result, we have been able to achieve industry leading employee efficiency (measured by revenue per employee) which enables us to offer extremely attractive compensation that recognizes the contribution of our professionals. For the year ending December 31, 2012, our revenue per employee was US$2.4 million, while the average for a group of other leading international investment banks composed by Goldman Sachs, Morgan Stanley and Credit Suisse was US$668.9 thousand. Accordingly, our total compensation (i.e., the costs of salary, bonuses and similar compensation) as a percentage of our total revenues was 22.0% versus an industry average of 50.0%, while our average compensation is the highest of the peer group at US$538.9 thousand per employee compared to the average at the peer group of US$310.9 thousand.

BUSINESS

Our Diversified Portfolio of Businesses

We believe we have successfully diversified our business operations and sources of revenue to maximize opportunities for leveraging our client relationships across business units, as well as to best position ourselves to exploit any changes in market conditions.

The following table shows our unaudited revenues breakdown by business unit, which was not prepared in accordance with Brazilian GAAP and materially differs from our combined income statement:

	For the year ended December 31,		
	2010	**2011**	**2012**
	(Unaudited – in R$ millions)		
Investment banking	358.3	376.7	448.0
Corporate lending	251.1	366.4	564.6
Sales and trading	658.6	1,012.2	1,517.3
Asset management	374.5	507.1	1,190.2
Wealth management	106.8	149.7	201.7
PanAmericano	–	(52.0)	(244.5)
Principal investments	484.0	181.6	2,338.2
Interest and other	191.4	659.3	802.0
Total Revenues	2,424.7	3,201.0	6,817.6

(1) Our commercial banking activities commenced after the acquisition of a co-controlling interest in Banco PanAmericano on May 27, 2011, and are conducted exclusively through that non-consolidated investment. Accordingly, we did not record any revenues for our PanAmericano business unit in 2010.

(2) Our revenues recorded under "Interest and Other" include the interest on our capital, which is the internal opportunity cost for remunerating our net equity, typically determined based on the CDI rate. The interest on our capital, recorded as "Interest and Other," is in turn deducted as a funding cost directly from our business units' revenues. The Units primarily affected by such deductions are those which carry larger inventories of financial instruments (i.e., sales and trading, commercial lending and principal investments Units), as their results are presented in our revenues by business unit net of the interest on our capital, as well as all other costs for obtaining external funding to finance their portfolios.

We believe that our strong market positions across the spectrum of financial services enable us to adapt quickly and prosper under changing market conditions. Our entrepreneurial culture leads us to consistently seek new and diversified revenue sources, including opportunities outside our traditional target market in Brazil, such as our May 2011 acquisition of Banco PanAmericano. We believe our diversification increases our potential to successfully grow our business and to maintain our profitability.

In addition, we believe our market strength within each of our business units allows us to maximize the value we obtain from our client relationships by using an integrated approach to cross-sell the services that we provide. For example, many of our significant asset and wealth management clients generated their wealth through public offerings that we have underwritten. This cross-selling is particularly advantageous within both the Brazilian market and the Andean region, where many wealthy families still control a significant share of local businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

We believe that our solid research capabilities also contributed to our significant participation in equity underwritings in Brazil in addition to generating significant brokerage commissions for our sales and trading Unit. Consequently, we currently provide our clients with both high quality asset and wealth management and financial advisory services – both in capital markets and M&A. In addition, our sales and trading and principal investments Units cover multiple markets and different geographies, with a focus on building long-term relationships and delivering high quality execution.

Finally, we believe that we will achieve very attractive geographical diversification and significant synergies from the recent acquisitions of Celfin and Bolsa y Renta, and that the combination of BTG Pactual, Celfin and Bolsa y Renta will create business opportunities not available to any of the companies on a standalone basis. See "Business—Celfin" and "Business—Bolsa y Renta."

Strong and Diversified Funding Base with Proven Asset-Liability Management

We have a solid and diversified base for funding our operations through our private banking network, institutional client base, corporate client base, and in the capital markets. We are consistently able to fund our operations and to manage our liquidity risk. We seek to maintain a strong cash position, which is always sufficient to run our operations for 90 days assuming that we do not obtain new funding. Our balance sheet is in a large part composed of very liquid financial instruments, and we obtain funding from a diversified range of unsecured instruments from a broad range of sources. Also, we maintain a contingency plan to manage our liquidity under severely adverse market conditions. We enhanced our liquidity profile in (i) April 2011 through the issuance of R$3.975 billion in local subordinated notes with an average maturity of 7.8 years, (ii) July 2011 with the issuance under the Programme of US$500 million in senior notes due 2016 at an interest rate of 4.875%, (iii) September 2012 with the issuance of US$800 million in subordinated notes due 2022 at an interest rate of 5.75%, (iv) September and October 2012 with the total issuance of the Colombian Peso equivalent of approximately US$235 million in senior notes due 2017 at an interest rate of 7.0%, (v) in January 2013 through the issuance of US$1.0 billion in senior notes due 2020 at an interest rate of 4.00%, (vi) in March 2013 through the issuance of the equivalent of US$161.0 million of Chinese Yuan renminbi-denominated senior notes due in 2016 at an interest rate of 4.1%. As of December 31, 2012, we had more than 300 depositors.

Our Strategy

We seek to create value for our equity owners through the implementation of the following strategies:

Capitalize on Brazil's Outstanding Growth Perspectives

We believe that Brazil has all of the conditions necessary to achieve outstanding growth in the financial services sector. These conditions include:

- a favorable macroeconomic environment and political stability;
- a sound institutional and regulatory framework;
- improved corporate governance;
- a sophisticated and deep domestic financial market;
- a highly attractive investment environment;
- a growing middle market and middle income consumer base; and
- numerous companies well-positioned to continue to grow and tap international markets.

Large investment opportunities have also been created by the exploration of the recently discovered pre-salt oil and gas reserves, and also by Brazil's hosting of the 2014 FIFA World Cup and the 2016 Olympic Games. These opportunities, combined with sustained growth in domestic income and consumption and significant demand for improvements in infrastructure are expected to result in an important increase in capital expenditures in Brazil.

BUSINESS

Multinational companies seeking higher growth continue to expand in Brazil, including through acquisitions, while at the same time numerous Brazilian companies have become multinational enterprises that are actively pursuing international acquisitions. A greater percentage of the Brazilian population is entering into higher income classes and becoming potential consumers of asset and wealth management products. Also, the middle market and low income consumer base is expected to continue to grow substantially as Brazil's GDP continues to grow.

We intend to continue to take advantage of the favorable Brazilian market conditions by using our expertise and ability to consolidate and expand our franchises and leverage our reputation among our current and prospective Brazilian and international clients interested in Brazil-related opportunities by, among other things:

- actively continuing to market our equity and debt capital markets services to Brazilian issuers, with a view toward maintaining and expanding our position as the leading Brazilian underwriter;
- seeking to expand our M&A advisory business, both for Brazilian companies seeking to acquire businesses in Brazil or abroad, and foreign companies seeking to acquire Brazilian businesses and assets;
- continuing to be the leading independent Brazilian asset manager and a leading independent wealth manager and expanding our efforts to market these products;
- seeking to continuously develop new and sophisticated FICC products for our corporate clients to meet their needs as they grow both in Brazil and internationally;
- taking advantage of private sector and pre-IPO investment opportunities sourced through our extensive Brazilian network;
- continuing to develop the business conducted in our regional Brazilian offices outside of São Paulo and Rio de Janeiro; and
- expanding our credit products and derivatives portfolio, leveraging Banco PanAmericano's independent commercial and consumer banking platform and taking advantage of expected growth in the Brazilian middle market and middle income consumer base.

Maintain Our Distinctive Culture

In contrast to other investment banking and asset management firms in Brazil and worldwide that have sold equity to the general market in the past, we have implemented several concrete steps to maintain our partnership model following our initial public offering completed in April 2012. Currently, approximately 71.9% of our equity is Partnership Equity. Our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity at its then current book value rather than at the value at which such equity is then trading in the market or the fair market value of such equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives) at book value. Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions. Accordingly, none of our Partners sold any Units or underlying securities in our initial public offering or are expected to sell such securities for the foreseeable future (i.e., we expect that the Partnership Equity will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of BTG Pactual in its entirety). These mechanisms result in a substantial amount of the economic burden of incentivizing our most important executives to fall on our existing Partners, rather than our other shareholders or creditors.

We believe the mechanisms described above create an unprecedented alignment of interests between our Partners, who currently own approximately 76.4% of our equity, and our public shareholders and other creditors, and minimized the changes to our culture following our initial public offering, which has allowed us to continue our efforts to maximize value for our shareholders while simultaneously managing risk in a proactive manner. See "Our Partnership."

Take Advantage of Attractive Growth Opportunities through Strategic Acquisitions

We intend to expand through selective acquisitions. We expect to focus on acquisitions that are complementary to our existing businesses, and that offer opportunities for growth and earnings accretion within our existing businesses. We may also seek to expand our investment banking and asset management activities to other Latin American and emerging markets. We believe that our recent initial public offering will enhance our capability and flexibility to execute strategic acquisitions by strengthening our balance sheet and allowing us to use our publicly traded securities as acquisition currency. See "Business—Significant Recent Developments." We believe that our recent acquisitions of Celfin and Bolsa y Renta, as well as our 2010 acquisition of Companhia Operadora do Mercado Energético, or Coomex, an energy sales company, and our May 2011 acquisition of a co-controlling stake in Banco PanAmericano, are perfect examples of the type of acquisition we expect to pursue.

Expand Our International Operations

Our presence in important financial markets such as São Paulo, New York, London and Hong Kong enables us to better explore business opportunities arising in different regions and demonstrates our intention to continuously seek diversification. We believe there are attractive opportunities for selective continued expansion outside Brazil and intend to pursue these opportunities. We believe, for example, that our strong reputation and global presence will allow us to (i) expand our marketing of Brazilian and emerging markets asset management products to a global customer base, (ii) expand our investment banking business to other Latin American countries, (iii) attract additional talent and teams with experience in markets and products outside of Brazil where we currently do not have significant expertise, and (iv) expand the business that we conduct internationally with Latin American companies that are expanding globally.

Celfin is a leading broker dealer in Chile, which has robust capital markets and is a net exporter of capital. Similarly, Bolsa y Renta is one of the leading broker dealers by volume of equity transactions in Colombia, with a portfolio of US$3.4 billion in wealth under management and US$721.2 million in assets under management as of December 31, 2012. We believe that we can distribute many of our Brazilian and international asset management, wealth management and corporate finance products to the respective existing client bases of Celfin and Bolsa y Renta, who are seeking additional investment options, and that our extensive experience in mergers and acquisitions and corporate finance transactions will enhance their product offerings in these areas, permitting us to enhance the revenues that Celfin and Bolsa y Renta can generate from their respective impressive bases of leading Chilean and Colombian corporate clients.

We also see Colombia (where Bolsa y Renta is based and Celfin more recently commenced operations) and Peru (where Celfin has operations) as key to our efforts to achieve substantial additional geographic diversification. These countries, like Brazil a decade ago, have incipient capital markets, an expanding consumer class and numerous companies seeking capital for growth. We were among a small handful of financial institutions that led the efforts to develop and deepen Brazil's debt, equity and mergers and acquisitions markets during the last decade, and believe that we can replicate our Brazilian success in Colombia and Peru to achieve significant market share in these markets, which we expect will grow substantially in the coming years. We also believe that many Brazilian, Chilean, Colombian and Peruvian companies will seek to expand throughout Latin America, and that our local presence in each of these key Latin American markets makes us uniquely positioned to provide financial services to these companies. In addition, we have also entered into a strategic cooperation agreement with VTB Capital, a leading investment bank in Russia, to explore opportunities between Russia and Latin America.

Selectively Expand Our Portfolio of Credit Products and Derivatives

To support future growth and the corresponding new significant investment needs, Brazil will need to increase the availability of credit. The recent wave of equity offerings by Brazilian companies has greatly increased the number of potential Brazilian corporate borrowers with transparent financial disclosure and enhanced levels of corporate governance. Simultaneously, many other Brazilian companies have expanded their operations in recent years and are increasing their transparency in anticipation of a potential public offering. These two groups of companies are likely to need additional debt capital for growth and active management of their capital structure, and accordingly are attractive customers for our credit products.

In addition, as a result of our initial public offering, we believe that our funding costs will continue to decline and we will have a greater variety of financing options available. We believe these cheaper and more diversified sources of funding will facilitate our efforts to selectively expand our credit products (including derivatives, securitizations, structured credits and pre-IPO financings) on a profitable and prudent basis.

We plan to expand our offering of credit products and derivatives to our current and prospective clients, including through our commercial banking platform. We expect to primarily exploit credit opportunities that are linked to our other core business units – in particular investment banking – and also those that involve structured products and derivatives. We intend to continue to analyze credit opportunities closely, performing rigorous analyses of prospective borrowers' businesses and existing and prospective financial condition and results, in order to select opportunities which will satisfy our stringent standards for achieving high returns within acceptable risk parameters. We consider Banco PanAmericano's origination platform another step in implementing these strategies, as such platform originates consumer finance and middle market assets on a primary basis that are complementary to the credit that we originate through Banco BTG Pactual's platform.

Continue to Develop Our Merchant Banking and Private Equity Businesses

We believe that our ability to provide permanent capital to our clients is an important competitive advantage. Accordingly, we intend to continue to develop our merchant banking and private equity businesses, primarily with respect to investments in Brazil. We believe that our network of contacts and significant deal flow grants us access to numerous attractive investment opportunities that may not be available to our competitors, and that as a result we will be able to attract third party investors to private equity and similar funds for which we will act as the investment manager and generate management and performance fees for our asset management unit. We also expect BTGI to serve as the anchor investor and have a meaningful equity ownership in certain of such funds in connection with our merchant banking activities and accordingly generate revenue for our principal investments unit. For example, in June 2011, we closed a private equity fund of approximately US$1.5 billion, US$490 million of which came from BTGI. We intend to raise such funds and pursue investment opportunities (i) using the capital of such funds, (ii) through co-investments with other financial investors or (iii) using solely our own capital. We believe the continued development of these businesses will also contribute to our other business units through cross-selling opportunities.

Significant Recent Developments

Real Estate. On January 31, 2012, Banco BTG Pactual and Banco PanAmericano entered into definitive agreements to purchase 100% of the shares of BFRE. The total purchase price (subject to adjustment) was approximately R$1.21 billion (without including the R$335 million purchase price of certain assets by Banco BTG Pactual described below), of which R$940 million was paid by PanAmericano and R$270 million was paid by us. Prior to the closing of the transaction on July 19, 2012, BFRE was divided into two companies by means of a spin-off. The first such company, which Banco BTG Pactual acquired, retained the rights to advise, manage and/or administer certain real estate and equity investment funds. In addition, Banco BTG Pactual paid approximately R$335 million (subject to adjustment) to purchase certain real estate and equity investment funds held by BFRE. The remainder of the businesses conducted by BFRE will remain in the second company, which was purchased by Banco PanAmericano.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE."

Banco PanAmericano. On January 18, 2012, Banco PanAmericano's shareholders approved a capital increase in an amount up to R$1.8 billion with an issue price of R$6.05 per share. Banco BTG Pactual and CaixaPar Participações S.A. ("CaixaPar") committed to exercise preemptive rights for an aggregate amount of R$1.335 billion, with Banco BTG Pactual's share amounting to R$677.0 million. However, Banco BTG Pactual agreed that, upon the request of TPG-Axon Capital Management LP, or TPG-Axon, it would transfer part of its preemptive rights with respect to a total of R$182.0 million of our R$677.0 million commitment. TPG-Axon exercised its right to obtain such preemptive rights and, in April 2012, subscribed for preferred shares representing, after the capital increase, 12.0% of Banco PanAmericano's preferred shares and 5.55% of its total capital stock, thus reducing Banco BTG Pactual's capital contribution to R$495.4 million.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE."

Celfin. On November 13, 2012, Banco BTG Pactual concluded the purchase of all of the outstanding shares of Celfin. In connection with the transaction, Banco BTG Pactual paid the owners of Celfin a total of US$451.5 million in cash, and the former owners of Celfin acquired approximately 2.2% of the total outstanding equity interests in Banco BTG Pactual and BTGI for R$391.8 million and US$49.1 million, respectively. Such equity interest is subject to repurchase by us at a nominal amount in certain limited circumstances during the four years following completion of the transaction. Such provisions are designed to provide the former shareholders of Celfin with incentives to remain active participants in the combined entity following the transaction, and we expect that they will do so.

As of December 31, 2012, Celfin had consolidated shareholders' equity and total assets of R$923.5 million and R$2,153.7 million, respectively, prepared in accordance with Brazilian GAAP. For accounting purposes, the date of the Celfin acquisition is October 31, 2012. We recorded goodwill in the amount of R$726 million.

On November 29, 2012, we filed with the Central Bank and the Chilean Banking Regulator (*La Superintendencia de Bancos e Instituciones Financieras de Chile*), or SBIF, a request to obtain a banking license in Chile. The granting of a banking license in Chile requires three separate authorizations from the SBIF, which must be obtained sequentially, the first of which we have not yet obtained. We expect to obtain a banking license in Chile in the second half of 2013.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Celfin."

Initial Public Offering. On April 30, 2012, we completed our initial public offering.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Initial Public Offering."

Bolsa y Renta. On June 14, 2012, Banco BTG Pactual entered into a definitive agreement to purchase 100% of the outstanding shares of Bolsa y Renta, one of Colombia's largest equity brokerage firms in terms of transaction volume, for approximately US$51.9 million, thus concluding negotiations initiated with Bolsa y Renta in 2011. On December 20, 2012, Banco BTG Pactual concluded the purchase of all of the outstanding shares of Bolsa y Renta for a total consideration of US$58.4 million in cash, and the former owners of Bolsa y Renta acquired equity interests in Banco BTG Pactual and BTG Pactual Participations equal to R$52.5

million and US$6.4 million, respectively, representing approximately 0.25% of the capital stock of Banco BTG Pactual and BTGI (indirectly through BTG Pactual Participations) (calculated based on the outstanding capital stock of Banco BTG Pactual and the outstanding capital stock of BTG Pactual Participations as of the date of the purchase). The value of the equity investment was negotiated and pre-determined in U.S. dollars at the end of 2011, prior to our initial public offering. We expect that Bolsa y Renta's current executives will continue to manage operations in Colombia and, accordingly, we anticipate paying additional amounts in the form of retention bonuses and deferred compensation to certain of the Bolsa y Renta's executives from the second through the fourth anniversaries of the date on which Banco BTG Pactual entered into a definitive agreement with respect to the transaction.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Bolsa y Renta."

Insurance Activities. On December 20, 2012, our subsidiary BTG Pactual Seguradora S.A. received authorization from SUSEP to offer insurance products in Brazil. We have committed initial capital of R$50.0 million to such activity and intend to commence operations by offering surety bonds. Furthermore, on February 26, 2013, we received authorization from SUSEP to offer reinsurance and retrocession services.

Bamerindus. On January 30, 2013, we entered into definitive agreements related to our acquisition of certain credits and rights held by Fundo Garantidor de Créditos, or FGC, against Banco Bamerindus do Brasil S.A., or Bamerindus, in extrajudicial liquidation, and other companies in Bamerindus's economic group. In connection with the transaction, we will pay approximately R$418.0 million to FGC in five installments, the first of which will be paid at the closing of the transaction and the other four on the first through fourth anniversary of the closing. The four installments will be adjusted by CDI. This transaction will result in us acquiring (i) control of Bamerindus and its subsidiaries, (ii) an interest in Bamerindus greater than 98.0% of its total and voting capital, and (iii) the receivables and assets held by the Bamerindus, which will be used in the context of our credit operations. The transaction remains subject to the satisfaction of several typical closing conditions, including the receipt of all required regulatory approvals, the completion of the extrajudicial liquidation of Bamerindus and its subsidiaries, and the settlement of certain of their financial obligations in order for Bamerindus to have positive shareholders' equity. The transaction does not include the right to the Bamerindus brand. We expect the transaction to close no later than the third quarter of 2013, although there can be no assurance that the transaction will be concluded. We do not expect that the transaction, if consummated, will materially affect our financial condition or results of operations.

Our History

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

In 1986, Pactual D.T.V.M. obtained a license to operate as an investment bank which was named Pactual S.A. Banco de Investimentos.

In 1989, Pactual S.A. Banco de Investimentos established a branch in São Paulo, our first office outside Rio de Janeiro, and obtained a license to become a multiple-service bank (*banco múltiplo*) authorized to engage in commercial banking, investment banking, portfolio management, foreign exchange, real estate financing and savings and loans operations. As a result, the bank was renamed Banco Pactual S.A. In the same year, Pactual Overseas Corp. was incorporated to carry out our international activities.

In 1998, we acquired the Sistema group, a small financial services group composed of Banco Sistema S.A. (currently BTG Pactual Corretora de Títulos De Valores Mobiliários S.A.), Sistema Banking Corp. Ltd. (a Cayman Islands subsidiary of Banco Sistema S.A. – which was renamed BTG Pactual Banking Limited) and

Sistema Leasing S.A. (currently BTG Pactual Serviços Financeiros S.A. DTVM). During this time, many members of our current Senior Management Team became our Partners.

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

- BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários, a subsidiary created to segregate the asset management business unit;
- BTG Pactual Corretora de Mercadorias Ltda., a dedicated commodities and futures broker-dealer;
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., a securities broker-dealer;
- BTG Pactual Gestora de Recursos Ltda., which manages mutual funds and securities portfolios; and
- BTG Pactual Securitizadora S.A., a non-financial institution engaged in the securitization of real estate receivables.

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

In May 2006, UBS AG agreed to purchase Banco BTG Pactual. Many of our principal Partners, including our CEO, CFO and COO, were selling shareholders in that transaction and remained as the senior management of the bank following the consummation of the sale in December 2006. We became "UBS Pactual," the division of UBS AG acting in all Latin American countries, and our CEO became CEO of all of UBS's Latin American operations. At the time of the acquisition, we were already a leading independent investment bank and asset manager in Brazil.

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

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

BTGI had approximately US$1.3 billion in AUM (including proprietary and third party capital) and more than 100 employees when its Partners signed a contract to acquire us (then Banco UBS Pactual S.A.) and our subsidiaries on April 19, 2009. The transaction represented the return of many members of our Senior Management Team to the bank, and together this team with many of their former partners who had remained at the bank throughout the period following the sale to UBS AG. The transaction closed in September 2009, creating the group now known as BTG Pactual.

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

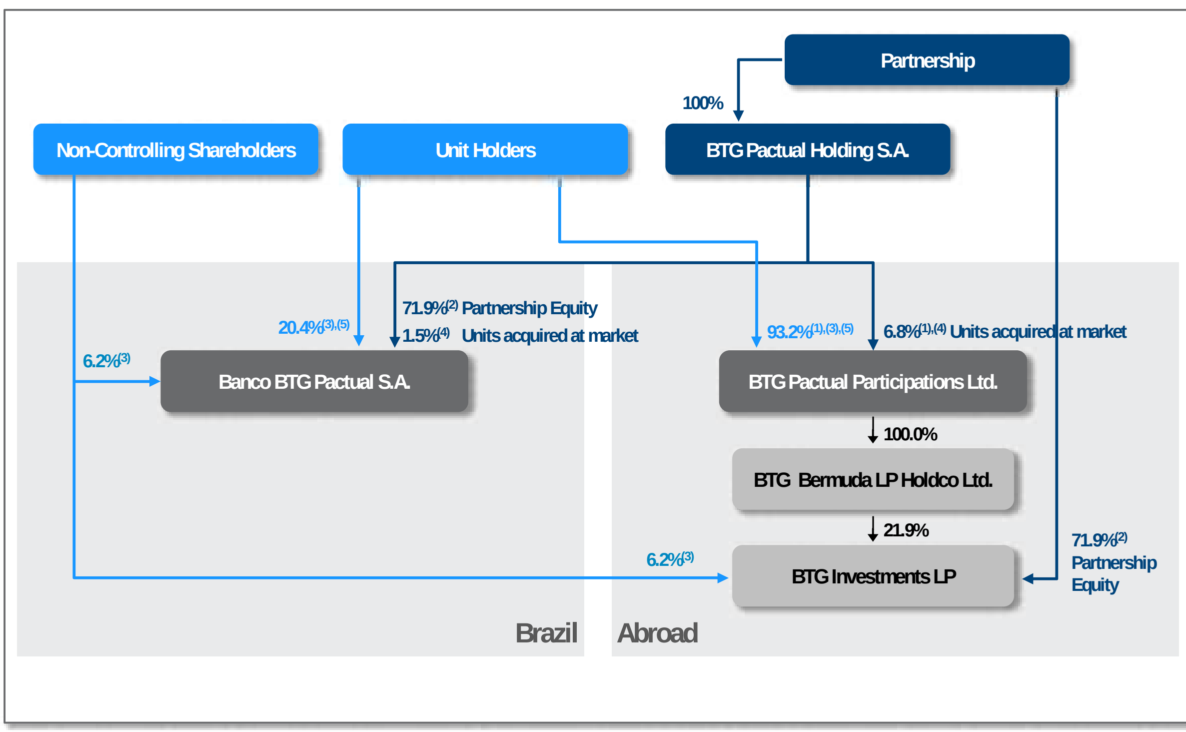
In January 2011, we entered into an agreement to purchase 100% of the shares in Banco PanAmericano S.A. held by Grupo Silvio Santos for R$450.0 million, representing a 37.64% stake in Banco PanAmericano (composed of 51.00% of its voting shares and 21.97% of its non-voting shares). The transaction was approved by the Central Bank and closed on May 27, 2011.

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

In April 2012, we completed our initial public offering of Units on the BM&FBOVESPA and NYSE Alternext Amsterdam.

Our Structure

The diagram below depicts the simplified ownership structure of the BTG Pactual Group. For information regarding our principal subsidiaries, see "Business—Subsidiaries."



(1) Percentages in BTG Pactual Participations shown in the chart above reflect economic interests only through ownership of BPP Class A shares and BPP Class B shares. André Santos Esteves exercises control over BTG Pactual Participations through his indirect control of the BPP Class C share.

(2) Excludes the 2.3% purchased by the Participating Partners at the same time, and on the same terms, as the members of the Consortium in December 2010.

(3) The 6.2% ownership in BTGI is comprised of the following: 2.3% by the Participating Partners; 1.6% by (part of) the members of the Consortium; and 2.2% by former partners of Celfin and is convertible at any time, upon election of the Non-Controlling Shareholders, into shares of BTG Pactual Participations, at which time such interest would form part of the Units.

(4) Includes Units acquired by BTG Pactual Holding in the initial public offering (and thereafter in open market purchases), and as a result these Units are indirectly held by the Partners in proportion to their respective Partnership Equity interests.

(5) With respect to the 26.6% ownership in Banco BTG Pactual (i.e. 6.2% + 20.4%), such ownership is comprised of the following: 8.0% by members of the Consortium; 2.3% by the Participating Partners; 2.2% by former partners of Celfin; 0.3% by former partners of Bolsa y Renta; 0.6% (purchased as Units representing these shares) by the Merchant Banking Partnership, which is owned by the Partners in the same proportion as the Partnership Equity and controlled by André Santos Esteves; 0.2% by other investment vehicles which are wholly-owned or controlled by André Santos Esteves; and the remaining 13.1% is held by other Unit holders as part of the free float. With respect to the 93.2% ownership in BTG Pactual Participations, such ownership is comprised of the following: 29.0% by members of the Consortium; 2.5% by the Merchant Banking Partnership; 0.7% by other investment vehicles which are wholly-owned or controlled by André Santos Esteves; 1.2% by former partners of Bolsa y Renta; and the remaining 59.8% is held by other unit holders as part of the free float.

Subsidiaries, Associates and Joint Ventures

As of the date of this Prospectus, the principal subsidiaries, associates and joint ventures of BTG Pactual are the following:

Company	Share (%) in total capital	Activity	Jurisdiction
Direct subsidiaries, associates and joint ventures of Banco BTG Pactual			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	99.99	Asset Management Services	Brazil
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	99.99	Equities Broker Dealer	Brazil
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	99.99	Fund Administration Services	Brazil
BTG Pactual Corretora de Mercadorias Ltda.	99.99	Currencies/ Commodities Broker dealer	Brazil
BTG Pactual Securitizadora S.A.	99.99	Real Estate Securitization	Brazil
BTG Pactual Comercializadora de Energia Ltda.	99.99	Electrical Energy Trading	Brazil
BTG Pactual Holding International S.A.	99.99	Holding Company	Brazil
BTG Pactual Overseas Corporation	100.00	Holding Company	Cayman
Global Ltd.	100.00	Holding Company	Cayman
BW Properties S.A.	67.49	Real Estate Business	Brazil
BTG Pactual Commodities S.A.	99.99	Dormant Company	Brazil
BTG Pactual Holding de Seguros Ltda.	99.99	Holding Company	Brazil
BTG Pactual Chile SPA	100.00	Holding Company	Chile
Bolsa y Renta S.A.	99.99	Broker Dealer	Colombia
Celfin International Ltd.	100.00	Holding Company	Cayman
Banco Panamericano S.A.(1)	34.06	Commercial Banking	Brazil
Warehouse 1 Empreendimentos Imobs S.A.	35.00	Real Estate	Brazil
Max Casa XIX Empreendimentos Imobs S.A.	50.00	Real Estate	Brazil
ACS Omicron Empreendimentos Imobs S.A.	44.74	Real Estate	Brazil
BR Properties S.A.	24.53	Real Estate	Brazil

Company	Share (%) in total capital	Activity	Jurisdiction
Indirect subsidiaries, associates and joint ventures of Banco BTG Pactual			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	99.98	Private Equity Asset Management Services	Brazil
BTG Pactual WM Gestão de Recursos Ltda.	99.99	Wealth Management Asset Management Services	Brazil
BTG Pactual Gestora de Recursos Ltda.	99.99	Private Equity Asset Management Services	Brazil
BTG Pactual Corporate Services Ltda.	99.99	Financial Services Advisory	Brazil
BTG Pactual Serviços Energéticos Ltda.	100.00	Electrical Energy Trading	Brazil
BTG Pactual NY Corporation	100.00	Holding Company	USA
BTG Pactual Global Asset Management Limited	100.00	Asset Management	Bermuda
BTG Pactual Europe LLP	100.00	Asset Management	UK
BTG Pactual Asset Management US, LLC	100.00	Asset Management	USA
BTG Pactual US Capital, LLC	100.00	Broker Dealer	USA
BTG Pactual Asia Limited	100.00	Asset Management	Hong Kong
BTG GAM (UK) Limited	100.00	Holding Company	UK
BTG Pactual SEG Holding S.A.	100.00	Holding Company	Brazil
BTG Pactual RE Holding S.A.(2)	100.00	Holding Company	Brazil
Celfin Capital S.A.	100.00	Holding Company	Chile
Celfin Capital S.A. Corredores de Bolsa	100.00	Broker Dealer	Chile
Celfin Capital Administradora de Fondos de Capital Extranjero S.A	100.00	Asset Management	Chile
Celfin Capital S.A. Administradora General de Fondos	100.00	Asset Management	Chile
Celfin Capital S.A. Sociedad Agente de Bolsa	100.00	Broker Dealer	Peru
Celfin Capital S.A. Sociedad Administradora de Fondos Inversion	100.00	Asset Management	Peru
Celfin Capital S.A. Sociedad Comissionista de Bolsa	100.00	Broker Dealer	Colombia
Laurel Sociedad Gestora Profissional S.A.	100.00	Asset Management	Colombia
BTG Pactual Commod AR Ltd.	100.00	Private equity	Cayman
BTG Pactual E&P Empreendimentos e Participações S.A.	100.00	Private equity	Brazil
BTG Pactual E&P S.a.r.l.	100.00	Private equity	Luxembourg
BTG Pactual Oil & Gas S.a.r.l.	100.00	Private equity	Luxembourg
BTG Pactual Commodities Holding (UK) Limited	100.00	Private equity	England
BTG Pactual Commodities (UK) LLP	100.00	Private equity	England
BTG Pactual Commodities (South Africa) PLC	100.00	Private equity	South Africa
BTG Pactual Commodities (Argentina) SA	100.00	Private equity	Argentina
BTG Pactual Commodities (Singapore) PLC	100.00	Private equity	Singapore
BTG Pactual Commodities (Shanghai) LLC	100.00	Private equity	China
BTG Pactual Commodities (Switzerland) SA	100.00	Private equity	Switzerland

Company	Share (%) in total capital	Activity	Jurisdiction
BTG Pactual Commodities Holding (US) LLC	100.00	Private equity	United States
BTG Pactual Commodities (US) LLC	100.00	Private equity	United States
BTG Pactual Commodities Energy (US) LLC	100.00	Private equity	United States
Direct subsidiaries of BTG Pactual Participations			
BTG Bermuda LP Holdco Ltd.	100.00	Holding Company	Bermuda
Indirect subsidiaries of BTG Pactual Participations			
BTG Investments LP	21.94	Holding Company	Bermuda
Direct and indirect subsidiaries, associates and joint ventures of BTG Investments			
BTG Pactual Proprietary Feeder Limited(1)	100.00	Holding Company	Cayman
BTG Pactual Capital Participações S.A.	100.00	Holding Company	Brazil
BTG Loanco LLC	100.00	Treasury	USA
BTG Pactual Stigma LLC	100.00	Holding Company	USA
BTGP Reinsurance Holdings LP	100.00	Holding Company	Bermuda
BTG Equity Investments LLC	100.00	Holding Company	USA
Preserve Insurance Co. Ltd	100.00	Insurance Company	Gibraltar
BTG Pactual Mining S.A.	100.00	Holding Company	Brazil
Hárpia Omega Participações S.A.	100.00	Holding Company	Brazil
Aigues de Catalunya Ltd(1)	100.00	Holding Company	UK
BTG Pactual Spanish Trading Holdings Ltd(1)	100.00	Holding Company	UK
B&A Mineração S.A.(1)	86.00	Private equity	Brazil
Túnel de Barcelona i Cadí, Concessionario de la Generalitat de Catalunya S.A.(1)	65.00	Private equity	Spain
ATLL Concessionaria de La Generalitat de Catalunya S.A.(1)	39.00	Private equity	Spain
B2 - Fundo de investimento multimercado	100.00		Brazil
BTG Pactual Servicios S.A. de C.V.	100.00		México
BTG Pactual Swiss Services S.A	100.00		Switzerland

(1) Jointly-controlled entity
(2) On February 26, 2013, the subsidiary BTG Pactual RE Holding SA received authorization from SUSEP to offer reinsurance products in Brazil.

The voting power percentages correspond to and equal the proportionate ownership of each of the subsidiaries, associates and joint ventures listed above for Banco BTG Pactual and BTG Pactual Participations, except for Banco BTG Pactual’s investment in Banco Panamericano, in which case the voting power is 51.0% while its proportionate ownership is 34.06%.

Business Units

Information about our business units should be read in conjunction with "Management’s Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes thereto included in this Prospectus.

Investment Banking

We are among the leading providers of investment banking services in Brazil. We provide a wide range of investment banking services, such as acting as underwriters or placement agents in capital raising transactions in the public and private debt and equity markets, providing finance advisory services, and sophisticated financial and structured products and services for corporations, financial institutions, investment funds, governments and individuals. Although these services are primarily rendered to clients based in Brazil, we also serve non-Brazilian clients, including entities and individuals seeking to engage in M&A and other transactions in Brazil or involving Brazilian securities or other Brazilian financial instruments, including services to non-Brazilian clients seeking to list their securities on BM&FBOVESPA. We have also begun to provide such services to clients in Chile, Peru and Colombia, and expect such activity to increase following completion of our pending acquisition of Celfin.

Our investment banking activities are divided into two categories:

- **Capital Markets,** which includes acting as underwriters, placement agents or advisors in public offerings and private placements of equity and debt securities; and
- **M&A and Advisory,** which includes advisory assignments with respect to mergers and acquisitions, divestitures, restructurings, spin-offs, reorganizations and other significant corporate transactions.

We believe that we provide our clients with high quality and straightforward advice and effective transaction execution, which has developed and fostered long-term relationships with our clients and has provided us with a strong competitive advantage both in Brazil and throughout Latin America, ahead of retail banks in Brazil with larger capital bases or foreign banks lacking scale and penetration in the Brazilian market.

For the year ended December 31, 2012, our revenues from our investment banking activities, as reflected in our combined adjusted income statement, were R$448.0 million, representing 6.6% of our total revenues.

Organization

Our investment banking unit has continuously adapted its organizational structure to meet changing market dynamics and our clients' needs. Our current structure, which is organized along execution and industry groups, seeks to combine our client-focused investment bankers with execution and industry expertise.

We believe having a group of professionals who focus on developing and maintaining strong client relationships (coverage bankers) is an important competitive advantage in our marketing effort. These professionals work with senior executives of our clients to identify areas where we can provide capital raising, financial advisory or other financial products and services. Our coverage bankers are organized by industry specific groups, which include Agribusiness, Basic Materials, Energy and Power, Financial Institutions, Healthcare, Real Estate, Retail and Transportation and Telecom and Media. The broad base of experience and knowledge of our professionals, coupled with their long-term commitment to us, enables us to analyze our clients' objectives and to allocate the resources that we believe appropriate to satisfy our long-term objectives. Through our commitment to teamwork, we believe that we provide integrated services that benefit our clients.

Our capital markets group, which is divided into equity capital markets and debt capital markets, and our M&A and advisory group are responsible for the execution of specific client transactions as well as the building of client relationships. These industry and product groups provide a full range of investment banking products and services to our clients relying on specialized knowledge of industry-specific trends.

In line with the expansion of our global alternative asset management operations, we are seeking to build our global investment banking capability focused on emerging markets. Based in Europe, this capability seeks to leverage corporate and sovereign capital market and advisory opportunities across our global emerging market franchise. In addition, Celfin has an experienced investment banking team that we expect to integrate into our investment banking group.

Capital Markets

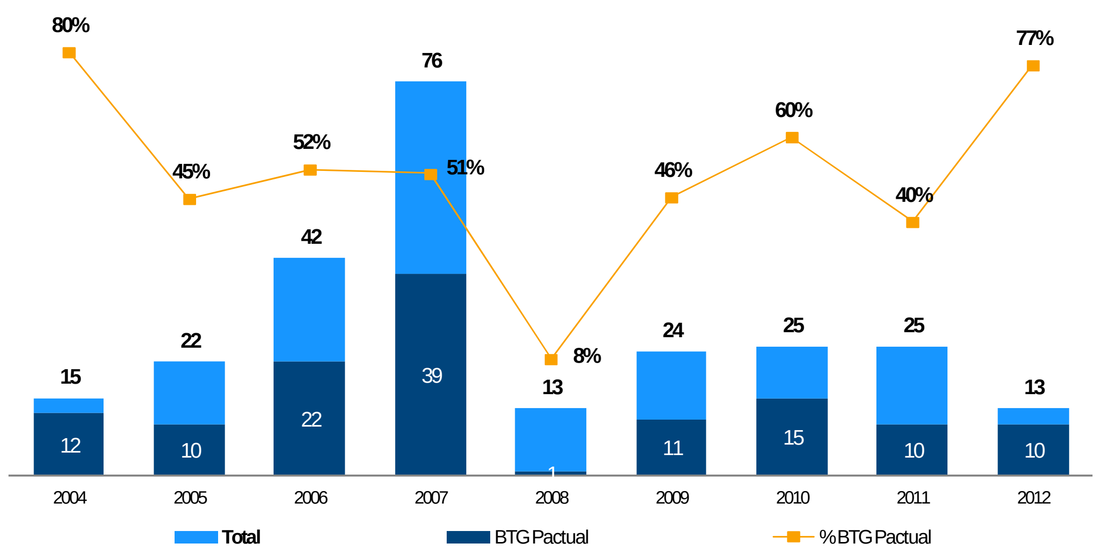
From January 1, 2010 through December 31, 2012, we have served as lead manager or bookrunner in transactions that have raised more than R$202 billion of capital for our clients. We underwrite a wide range of equity and debt securities, including convertible securities.

We believe that a key factor in our equity and debt underwriting operations is the close working relationship between our investment banking and capital markets professionals and our sales team. We believe that we have relationships with a large and diverse group of Brazilian issuers as well as Brazilian and overseas investors.

Equity Capital Markets

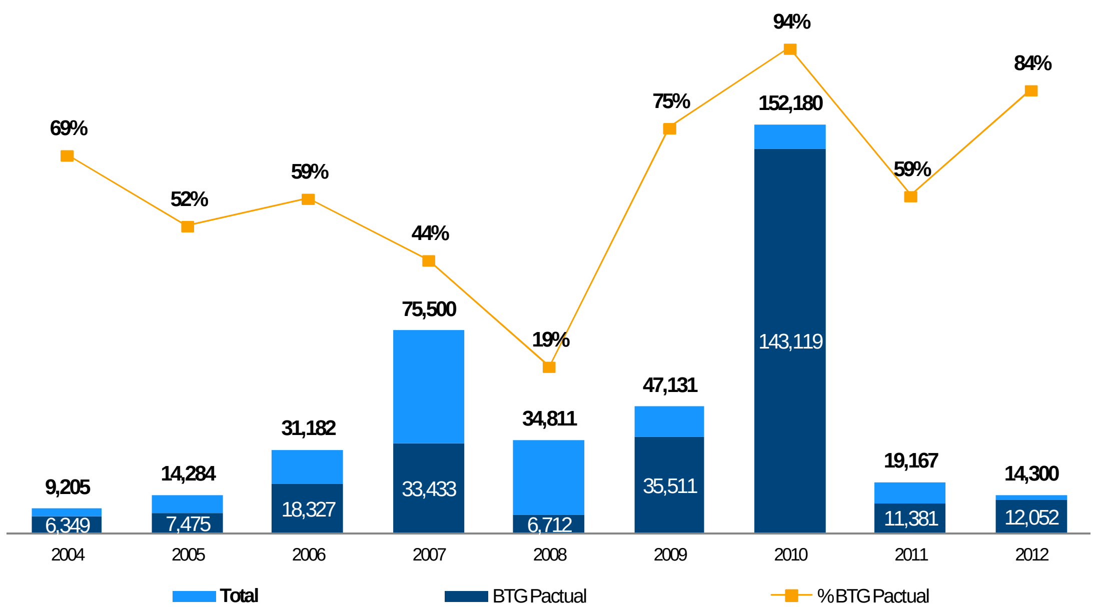
Equity underwriting has been one of our long-term core strengths. The following graphs show our strong position in equity underwriting for the periods indicated:

Number of transactions:



Source: CVM

Volume (R$ millions) (1)(2)(3):



Source: CVM

(1) Represents the total aggregate transaction value allocated to the underwriter syndicate participating in equity offerings and not only BTG Pactual's share in the syndicate.
(2) Represents companies listed on BM&FBOVESPA which are registered with the CVM.
(3) Data for 2010 includes transactions in which Banco BTG Pactual participated but that were credited to UBS AG and the Petrobras equity offering, which significantly increased our total transaction value in 2010 but did not generate a corresponding significant underwriting fee.

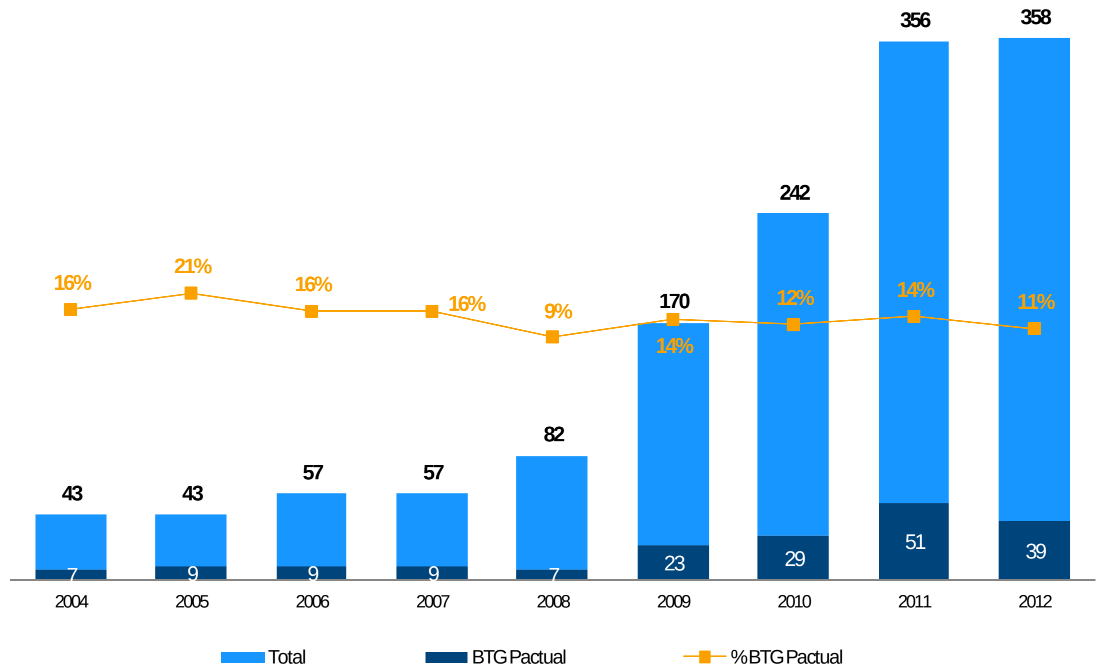
We believe our leadership in equity underwriting reflects our expertise in capital markets transactions, the strength of our research team, our track record and our distribution capabilities.

Debt Capital Markets

We engage in the underwriting and origination of debt securities and varying debt instruments for Brazilian corporations and governmental entities, including convertible debt securities. In servicing our clients, we employ a focused approach to debt underwriting, emphasizing high value-added areas.

The graphs below set forth our strong position in the Brazilian debt capital market for the periods indicated:

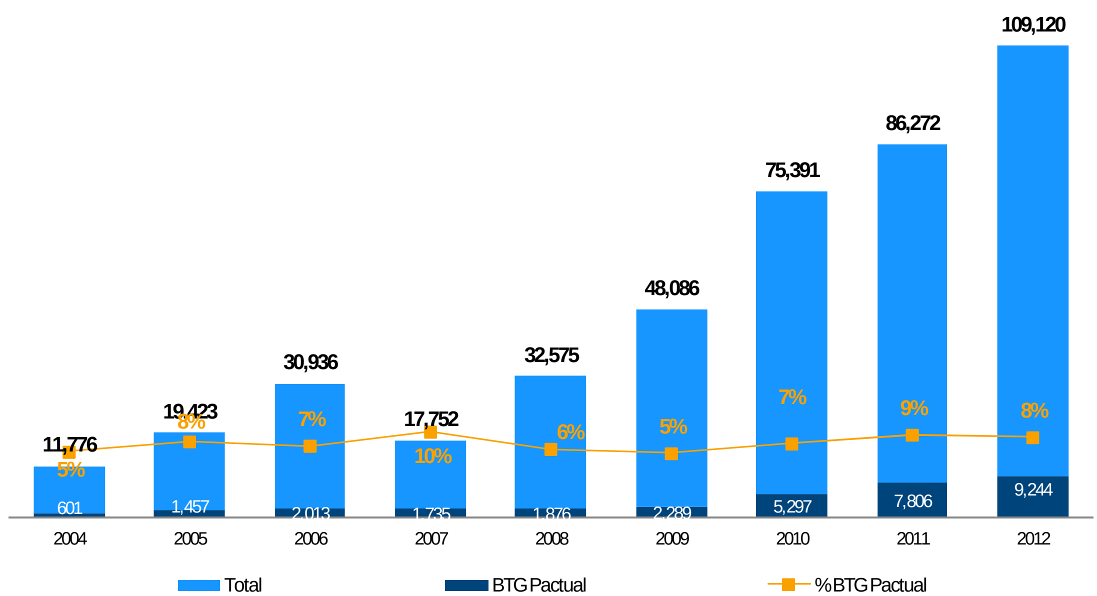
Number of transactions[1]:



Source: ANBIMA

(1) Accounts for local fixed income origination operations only.

Volume (R$ millions)[1][2]:



Source: ANBIMA

(1) Accounts for local fixed income origination operations only.

(2) With respect to syndicated transactions, represents the total aggregate transaction value allocated to the underwriter syndicate participating in debt offerings and not only BTG Pactual's portion of the total allocation.

M&A and Advisory

We provide our clients with a broad range of advisory services with respect to mergers and acquisitions, divestitures, restructurings, reorganizations and spin-offs, generally involving Brazilian companies. We advised on more than 255 M&A transactions from January 1, 2008 through December 31, 2012.

The following table shows the number of M&A transactions in which we have acted as advisor and our market share for the periods indicated:

	For the year ended December 31,		
	2010	2011	2012
Number of BTG Pactual transactions	58	56	72
Total number of transactions in the Brazilian market	717	815	901
BTG Pactual transaction volume, in R$ million	61,688	40,975	33,089
Total transaction volume in the market, in R$ million(1)	215,671	134,887	136,093
% BTG Pactual(2)	**28.6%**	**30.4%**	24.3%

Source: Thomson Financial

(1) Assumes the full transaction value allocated to all financial advisors and not only our portion of the total allocation.
(2) Refers to the percentage of completed deals advised by us (both on sales and purchases) versus total deals completed in the period.

Investment banking is an example of how one of our activities can generate cross-selling opportunities for other areas. For example, a client advised by our M&A group may seek our assistance in obtaining financing associated with the transaction. Additional cross-selling opportunities may also arise from the continued development of our private equity and merchant banking businesses given that the companies in which we have invested may seek to access the capital markets and hire our investment banking unit as an advisor. For example, in 2011, we acted as lead underwriter in the initial public offering of Brazil Pharma, one of the portfolio companies in our private equity fund. This cross-selling is particularly advantageous in Latin America, where many affluent families still control a significant share of businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

Corporate Lending

Through our corporate lending business unit, we offer financing, structured credit, loans and guarantees to corporations, primarily in Brazil. The main focus of our corporate lending activities is to meet the demands of large corporations, developing solutions suited to the business profile and objectives of each client, such as cash flow management and mismatches between assets and liabilities.

We engage in a number of financing transactions in which we act as lender for various clients ranging from mid-size companies to larger investment grade companies. One of our strategies is leveraging our investment banking business unit in order to enhance and increase our financing transactions, capitalizing on our strong market relationships and capital position. We have provided loans to companies that we believe have potential to be leaders in their particular industry segments and also to certain private companies that we believe have potential to become publicly traded in the future, such as M&A financing and pre-IPO loans.

Our corporate lending business unit includes two booking areas: (i) the high grade credit desk and (ii) the high yield credit desk.

The main focus of our high grade credit desk is to meet the demands of large corporations through the development of solutions tailored to the business profile and objectives of each client. This desk is characterized by what we believe to be a very low probability of default and high concentration of counterparties, usually larger than R$50.0 million. Additionally, this desk is responsible for our warehousing and securitization business, which focuses on real estate related products. As of December 31, 2012, our high grade credit desk had a portfolio of R$26.8 billion, representing 79.5% of our total credit portfolio.

The main focus of our high yield credit desk is to identify credit arbitrages on loans and to acquire and capitalize on non-performing loan portfolios and legal claims. These arbitrages can arise in a variety of contexts, including from corporate turnarounds, collateral packages, guarantees or debtor-in-possession financing. This desk is characterized by high yields and higher probability of default when compared to our high grade credit desk. However, these risks are balanced by a comprehensive package of guarantees, low loss given default and moderate concentration on counterparties, usually between R$10.0 million and R$70.0 million. As of December 31, 2012, our high yield credit desk had a portfolio of R$3.4 billion, representing 10.1% of our total credit portfolio.

As of December 31, 2012, our corporate lending credit portfolio amounted to a total of R$33.7 billion. For the year ended December 31, 2012, our revenues from our corporate lending business unit, as reflected in our unaudited adjusted income statement, were R$564.6 million, representing 8.3% of our total revenues.

Organization

Our corporate lending activities are segmented into two main business lines: (i) origination and (ii) treasury products.

Our origination business activities are focused on identifying demand for loans to large Brazilian and multinational companies with a presence in Latin America. Through our origination platform, we offer a broad range of credit products, including pass through of BNDES credit lines, export financing lines, working capital loans and financing for acquisitions.

Through our treasury products business line, we offer a variety of treasury products to our customers, providing sophisticated and innovative derivative products to help our customers manage market risk exposure to foreign exchange rates and interest rates. Through our structured operations, we also offer additional products for risk management in commodities markets. We believe that our broad range of treasury products offers clients comprehensive coverage for managing their onshore and offshore cash positions in accordance with their liquidity needs and the risk profiles of their businesses. In addition, we have expertise in structuring exclusive funds for our clients, through which we are able to offer additional products from our asset management business unit.

Sales and Trading

Through our sales and trading business unit, we offer financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes. These activities are divided into two segments: (i) FICC (fixed income, currency and commodities) and (ii) equity sales and trading.

For the year ended December 31, 2012, our revenues from our sales and trading unit, as reflected in our combined adjusted income statement, were R$1,517.3 million, representing 22.3% of our total revenues.

FICC (Fixed Income, Currency and Commodities) Sales and Trading

Our FICC area within our sales and trading unit is a large and diversified operation through which we engage in a variety of customer-driven market-making and trading activities.

We offer financial products and services to a diverse group of corporations, financial institutions, investment and pension funds, as well as governments in local and international markets. These products and services include market-making for fixed income instruments, brokerage and clearing services, as well as derivatives, interest rates, foreign exchange and commodities transactions for hedging and trading purposes. We also engage in a variety of customer-driven market-making activities, investing in a broad range of financial instruments, including debt securities, foreign exchange spots, swaps, options, futures, loans and non-deliverable forwards, among others. We believe our willingness and ability to take calculated risks distinguishes us from most of our competitors and substantially enhances our client relationships.

Our financing activities in FICC consist of (i) undertaking a high volume of transactions with modest spreads in large and highly liquid markets, (ii) capitalizing on our strong market relationships and capital position to engage in transactions in less liquid markets in which spreads are generally larger, and (iii) structuring and executing a wide range of transactions linked to fixed income products, currencies and commodities in accordance with our clients' needs.

We provide multi-product brokerage, clearing and custody services in the Brazilian market to a diversified customer base, including hedge funds, pension funds and HNWI. These activities generate commissions through the execution of agency transactions on futures and commodities exchanges. Such agency transactions are executed for our clients located throughout the world.

One of our core FICC activities is market-making in a broad array of securities and financial products. For example, we act as a dealer in currencies for the Central Bank and as primary and specialist dealer in government bonds for the Central Bank and the Brazilian National Treasury. We believe that making markets in a broad range of fixed income, currency and commodity products and related derivatives for our clients is crucial both to maintain our client relationships and to support our underwriting business by providing secondary market liquidity. We believe our clients value counterparties that are active in the marketplace and are willing to provide liquidity and research-based approaches. In addition, we believe that our significant investment in research capabilities and proprietary analytical models are critical to our ability to provide quality advice to our clients. Our research capabilities include quantitative and qualitative analyses of global economic, currency and financial market trends, as well as credit analyses of corporate and sovereign fixed income securities.

We are active in the listed options and futures markets, and we structure, distribute and execute over-the-counter derivatives on market indices, industry groups and individual company stocks to facilitate customer transactions and our proprietary trading activities. We develop quantitative strategies and render advice with respect to portfolio hedging and restructuring and asset allocation transactions. We also create especially tailored instruments to enable sophisticated investors to undertake hedging strategies and establish or liquidate investment positions. We are one of the leading participants in the trading and development of derivative instruments in Brazil. We are an active participant in the trading of futures and options in BM&FBOVESPA, and we also trade on most of the major exchanges in the United States, Europe and Asia.

Equity Sales and Trading

We make markets and take large positions in certain equity securities to facilitate customers' transactions and to provide liquidity in the marketplace. We operate in most of the major stock exchanges, including BM&FBOVESPA, NYSE, LSE and HKEx.

Acting as an agent, we execute brokerage transactions in equity securities for institutional and individual customers located throughout the world. In recent years, aggregate commissions derived from our brokerage services have increased as a result of growth in transaction volumes on the exchanges, despite the significant impact the global financial crisis had on the world economy. We were one of the six largest equity brokerage houses in Brazil in terms of total volume traded in 2012, according to Data Trader, and have subsidiaries qualified as broker-dealers located in New York and London.

We also provide securities lending services through the borrowing and lending of equity securities to cover our clients' as well as our own short sales and to finance our long positions. Lenders of securities include pension funds, mutual funds, insurance companies, investment advisors, endowments, banks and individuals. We have relationships with certain strategic lenders that provide us with access to large pools of securities.

Our equity trading activities consist of undertaking on behalf of our clients a high volume of transactions with modest spreads in liquid markets such as the over-the-counter market for equity securities. We were the sixth largest broker, by aggregate volume, on BM&FBOVESPA for 2012, according to Data Trader. We also undertake large transactions, such as block trades and positions in securities, in which we benefit from spreads that are generally larger. Finally, we structure and execute complex equity-linked transactions in accordance with our clients' needs.

Research

Our research team provides fundamental research on equity, commodities, interest rates and currencies markets, macroeconomic trends, industries and companies, primarily in Latin America. We have developed an industry-leading position for our investment research products. We believe that our investment research capabilities are a significant factor in our strong competitive position in equity trading.

We believe that major investors worldwide recognize us for our value-added research products, which are highly rated in client polls across the Americas, Europe and Asia. Our equity research team was named among the best research teams in Brazil from 2006 through 2012 and the best research team in Latin America in 2012, according to *Institutional Investor*. In addition, our fixed income (credit) research team was named among the best research teams in Brazil from 2010 to 2012 and Latin America in 2010, according to *Institutional Investor*.

Our research team provides equity research coverage on approximately 190 companies in Latin America, 15 different business sectors and eight economies. This is accomplished through three groups:

- the Macroeconomic Research group, which formulates macroeconomic forecasts for global economic activity and currencies, interest rates and commodities markets;
- the Equities Research group, which (i) forecasts equity market returns and provides recommendations on both asset allocation and industry representation, and (ii) provides fundamental analysis, forecasts and investment recommendations for companies and industries in Latin America; and
- the Fixed Income Research group, which provides credit analysis and investment recommendations for companies and markets in Latin America.

We do not record any revenues from our research activities. Our research team provides useful information to our business units as well as our clients in connection with a broad range of financial products and services.

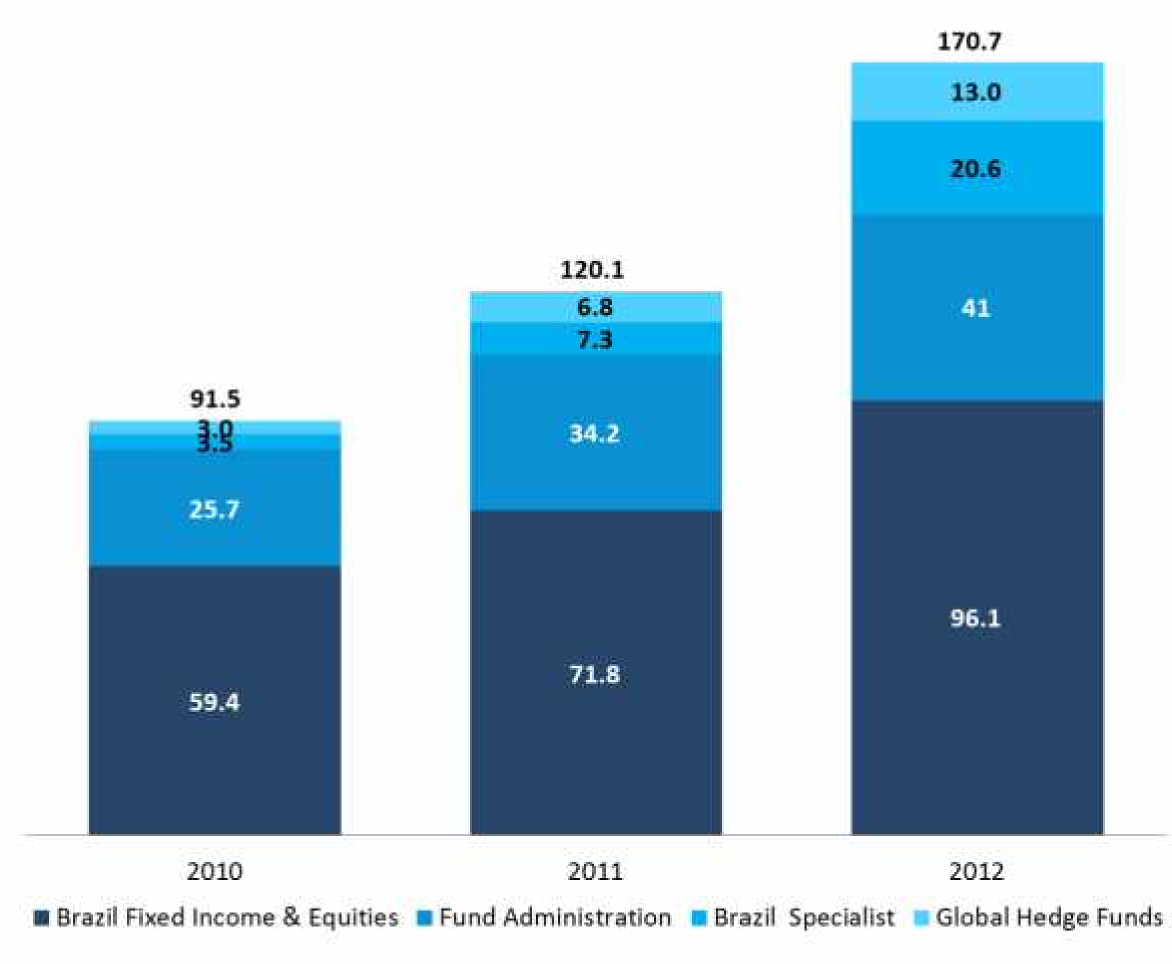
Asset Management

We offer asset management services across major asset classes to Brazilian and international clients. Our products include fixed income, money market, equity, multi-asset and private equity funds (including funds wholly-owned by both Banco BTG Pactual and BTGI) both in Brazil and abroad. Our funds are tailored to meet our clients' needs. We have funds targeted at a broader public such as those distributed by third party distribution channels and also exclusive funds or funds restricted to a limited number of clients. In addition, we provide fund administration services to third parties.

As of December 31, 2012, we had R$121.5 billion in AUM, according to ANBIMA, and R$170.7 billion in AUA, making us the largest asset manager in Brazil excluding retail banks. In addition, according to ANBIMA, as of December 31, 2012, we are the fifth largest financial institution in Brazil in terms of AUM, competing against large retail banks such as Banco do Brasil, Itaú Unibanco, Bradesco, Caixa and Santander, which are each supported by a large network of branches throughout Brazil.

The following graph sets forth our combined AUM and AUA by asset class and the changes in our portfolio of AUM and AUA as of each of the specified dates:

AUM and AUA by asset class (in R$ billions)



For the year ended December 31, 2012, our revenues from our asset management business unit, as reflected in our unaudited adjusted income statement, were R$1,190.2 million, representing 17.5% of our total revenues.

Organization

We have continuously adapted the organizational structure of our asset management unit to meet market trends and our clients' needs.

Our asset management business unit is divided into management and fund administration services. Our management services consist of managing the portfolio of the funds on a discretionary basis. Our fund administration services consist of calculating the net asset value of the funds and rendering other services such as monitoring the compliance of the fund with the applicable regulation and providing operational control of the assets underlying the portfolios. We believe that the broad range of services provided by our asset management unit grants us an important competitive advantage.

Our primary clients include HNWI and institutional clients. Our institutional clients include pension funds, corporations, insurance companies and financial intermediaries (third party distribution). We have an extensive and diversified client base and do not significantly depend on any particular client. The diversification of our client base is an essential aspect of our business strategy. As of December 31, 2012, our client base was divided as follows: institutional (13.2%); HNWI (16.1%); financial intermediaries (11.0%); corporations (17.8%); fund services (15.7%); and other (26.2%).

The table below shows the breakdown of our AUM by client type:

	For the year ended December 31,					
	2010	% of total	2011	% of total	2012	% of total
	(in R$ millions, except percentages)					
HNWI	15.0	16.3%	21.8	18.1%	27.5	16.1%
Institutional	16.6	18.2%	20.5	17.0%	22.6	13.2%
Financial intermediaries (third party distribution)	13.9	15.2%	15.9	13.2%	18.7	11.0%
Corporations	25.0	27.3%	27.7	23.0%	30.3	17.8%
Fund Services	14.6	16.0%	18.5	15.4%	26.8	15.7%
Other	6.4	7.0%	15.9	13.2%	44.7	26.2%
Total	**91.5**	**100.0%**	**120.1**	**100.0%**	**170.7**	**100.0%**

We distribute our funds through the distribution channels of our asset management and wealth management business units as well as through banks, brokerage firms and other financial intermediaries. We have strategic distribution agreements with major banks in Brazil, including Banco Citibank S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Bradesco S.A., pursuant to which we pay fees for clients originated by these distribution channels.

We consider a strong and well-known asset management unit to be important not only for attracting new clients, but for providing our existing clients with a premium service.

Management of Funds

BTG Pactual Asset Management, a subsidiary of Banco BTG Pactual, is dedicated exclusively to providing asset management services through our investment funds and managed portfolios. The portfolio of products includes Brazilian funds, emerging market funds and global funds, and we have specific products for a wide range of clients. BTG Pactual Asset Management was the largest asset manager in Brazil excluding retail banks, according to ANBIMA, with R$121.5 billion in AUM as of December 31, 2012.

Our investment products include fixed income funds, equity funds, multi-asset funds, structured funds and private equity funds both in Brazil and abroad.

Fixed Income and Equity Funds. On December 31, 2012, we had R$96.1 billion under management invested in fixed income and equity funds.

Global Hedge Funds. On December 31, 2012, we had R$13.0 billion under management invested in multi-asset funds. These funds have hybrid portfolios composed of a mix of fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities, mortgages and interest rates.

Private Equity Funds. On December 31, 2012, we had R$20.6 billion under management invested in private equity funds, through funds or other investment vehicles. Our private equity business pursues long-term investments in equity and debt securities, mostly in privately held companies purchased in privately negotiated transactions. Our strategy with respect to each private equity business is to invest opportunistically and to build a portfolio of investments that is diversified by industry, product type and transaction structure and type. Our private equity business seeks to leverage our long-standing relationships with companies, investors, entrepreneurs and financial intermediaries around the world to source potential investment opportunities. In addition, our private equity business, including their portfolio companies have generated business for our other business units, including equity underwriting, leveraged and other financing, fees and merger advisory fees. While potentially risky and frequently illiquid, our private equity activities, when successful, can yield substantial returns on capital for the investors and generate attractive management and performance fees for us.

The following table sets forth the portfolio companies of the private equity business managed by Banco BTG Pactual, some of which we invest directly or indirectly via Banco BTG Pactual or BTGI (see "—Principal Investments"):

Name:	Company Name:	Description:
Bravante	Brasbunker Participações S.A.	A leading company in Brazil specialized in providing marine support services, offshore logistics, construction and repair services and environmental protection solutions serving the oil and gas exploration industry. It was previously known as Brasbunker.
CCRR	CCRR Participações S.A.	Industry leader in adhesives, labels and specialty paper markets in Latin America. CCRR is a result of the merger between Colacril, the largest adhesives plant in Latin America, and RR Etiquetas, responsible for the implementation of the barcode system in Brazil.
Estre Ambiental	Estre Ambiental S.A.	One of the leaders in Brazilian waste collection, treatment and disposal sectors. Estre occupies a prominent position in managing landfills and developing diagnostic activities and integrated environmental solutions for waste management.
BR Pharma	Brazil Pharma S.A.	Brazil Pharma is one of the largest pharmaceutical retail companies in Brazil (in terms of number of stores), with more than 800 points of sale throughout Brazil. Brazil Pharma's business model relies on the operation of drugstores it owns as well as a network of franchisees.
Leader	União de Lojas Leader S.A.	Leader is a Brazilian retailer headquartered in the state of Rio de Janeiro with a focus in the clothing and apparel segment (comprising 73% of Leader's sales) for consumers primarily from the high growth B and C economic classes in Brazil. Leader had gross retail sales of R$1.3 billion in 2011.
BodyTech	A! BodyTech Participações S.A.	BodyTech is a leading Brazilian fitness chain operating in both the high-end and low-end markets in Brazil, with 31 units in operation and 15 greenfield projects.
UOL	Universo Online S.A.	UOL is Brazil's most popular web portal with 4 million unique visitors per day. It is also Brazil's leader in data center area and online alternative payments (through PagSeguro, the Brazilian equivalent of Paypal).
Contrail	Contrail – Operadora de Transporte Multimodal de Conteineres Ltda.	Contrail is a logistics railway company established by Estação da Luz Participações ("EDLP") to capture the container flow to and from the Santos Port.
LAP	Latin America Power Holding B.V.	LAP is a company focused on the development of renewable energy projects (small and medium hydro plants and wind farms) in Chile, Peru and Panama.
Mitsubishi	MMC Automotores do Brasil S.A.	Manufacturer and importer of Mitsubishi vehicles in Brazil, selling approximately 60,572 vehicles in 2012.
Susuki Brazil	SVB Automotores do Brasil S.A.	Importer of Suzuki vehicles in Brazil, selling approximately 7,115 vehicles in 2012.

Name:	Company Name:	Description:
Estapar	Allpark Empreendimentos, Participações e Serviços S.A.	Brazil's largest parking company, with a presence in 15 Brazilian states. Including franchisee parking lots, Estapar's brand is present in over 800 parking lots, including lots in off-street segments, on-street (blue zone electronic) segments, real estate and public and private concessions.
DvBr	Derivados do Brasil S.A.	One of the largest operators of gas stations in southeastern Brazil created following the merger of the networks of Via Brasil and Aster.
Intesa	Integração Transmissora de Energia S.A	695 kilometers of strategically important transmission lines in Brazil's electric power grid located in the States of Goiás and Tocantins. The project was granted a concession of 30 years following a public auction held in 2005 and became operational in April 2008.
Gera Amazonas	Geradora de Energia do Amazonas S.A	A thermal power plant with an installed capacity of 85.4MW located in the north of Brazil (in operation since 2006) strategic in ensuring electrical supply in the northern region of Brazil and operating with a 20-year power purchase agreement with Amazonas Energia (local distribution company) granted through public auction.
Tevisa	Termelétrica Viana S.A	164MW of installed capacity in the State of Espírito Santo (in operation since January 2010) with a load factor of 96.8%. Fueled by heavy fuel oil supplied by Petrobras and BR Distribuidora, the project is operating with a 15-year power purchase agreement with 36 distribution companies awarded through the A-3 energy auction in 2007.
Gera Norte	Geradora de Energia do Norte S.A	Thermal power plants located in the State of Maranhão, with installed capacity of 331.74MW (in operation since January 2010). Operating with a 15-year power purchase agreement with 36 distribution companies awarded through the A-3 energy auction in 2007.
PCH Braço	Pequena Central Hidrelétrica Rio do Braço S.A.	Small hydroelectric power plant with installed capacity of 11.52MW located in the State of Rio de Janeiro (in operation since January 2011) with an occupancy rate of 69.6%.
Linhares Geração	Linhares Geração S.A	Gas power plant with 204MW of installed capacity located in the State of Espírito Santo (in operation since December 2010). Operating with a 15-year power purchase agreement with 30 distribution companies awarded through the A-3 energy auction in 2008.
Ersa	CPFL Renováveis	CPFL Renováveis explores opportunities in renewable energy, with a portfolio totaling 4,438MW comprised of small (up to 30MW) and medium (up to 200MW) sized plants, including 34 small hydropower plants, 8 wind farms and 4 biomass power plants in operation, 1 small hydropower plant, 25 wind farms and 4 biomass power plants in construction and 5 small hydropower plants and 11 wind farms in development.
Santé	Santé Alimentação e Serviços S.A.	Company in food industry specializing in the outsourcing of industrial kitchens.

Name:	Company Name:	Description:
Gratícia	Gratícia Produtos Alimentícios S.A.	Fleet outsourcing company focused on the private sector in the northeast region of Brazil and also operates car rental and fleet management businesses.
Frotamais	MAIS Participações S.A.	Specialty food company manufacturing snack foods with strong market presence in the State of Pernambuco and other northeastern states of Brazil.
Beat	ACS Omicron Empreendimentos Imobiliários S.A	Residential real estate project in São Paulo selling 50m² apartments at an average price of R$450.0 thousand each. The total potential value of the project if all units are sold (valor geral de venda), or VGV, is approximately R$62.0 million. Beat is currently in its initial phase of construction with 85% of the units already sold.
MaxHaus	Maxcasa XIX Empreendimentos Imobiliários S.A	Residential real estate project in São Paulo selling 70m² apartments at an average price of R$600.0 thousand each. The VGV for the project is approximately R$106.0 million. MaxHaus is currently in its initial phase of construction with 51% of the units already sold.
UpTown	Warehouse 1 Empreendimentos Imobiliários S.A.	A commercial real estate project in Rio de Janeiro selling spaces for stores, storage and other commercial purposes ranging in size from 25m² to larger warehouse spaces. The VGV for the project is approximately R$380.0 million. Uptown is currently in its initial phase of construction with 90% of units already sold.

Our asset management unit also manages the investments made directly or through other investment vehicles by our principal investment unit, which are not reflected in the table above. See "—Principal Investments."

We have established a successful track record of private equity activities specifically in the energy and power and real estate sectors.

Our private equity activities include 35 professionals focusing on several key industries including consumer products, energy, healthcare, power, real estate, retail, technology and transportation. Our investment professionals identify, manage and sell investments on behalf of our private equity funds. In addition, our private equity professionals work closely with other of our business units, where they can benefit from the expertise of specialists in debt and equity research, investment banking, leveraged finance and equity capital markets.

Our real estate investment team identifies and executes investment opportunities in diverse projects and assets, including residential and commercial construction projects, shopping centers and commercial buildings for lease. The team is made up of experienced real estate and finance professionals, allowing a detailed analysis of the economic viability of each project or asset in order to be able to select the best investment opportunities.

Fund Administration or Fund Services

Through BTG Pactual Serviços Financeiros, we provide a broad range of financial services to our clients in respect of both onshore and offshore funds, including:

- calculation of net asset value, which is the cumulative market value of the fund’s assets net of its liabilities;
- asset pricing;
- registrar and transfer agent services;

- control of the fund's fees (management and performance fees) and other expenses;
- reporting on the fund's portfolio composition;
- preparation of monthly reports for the fund's clients; and
- calculation of any tax that may be imposed on the funds.

As administrator of the funds, we are also responsible for providing any information regarding the funds to regulators such as the Central Bank and the CVM and to ANBIMA as the self-regulatory authority.

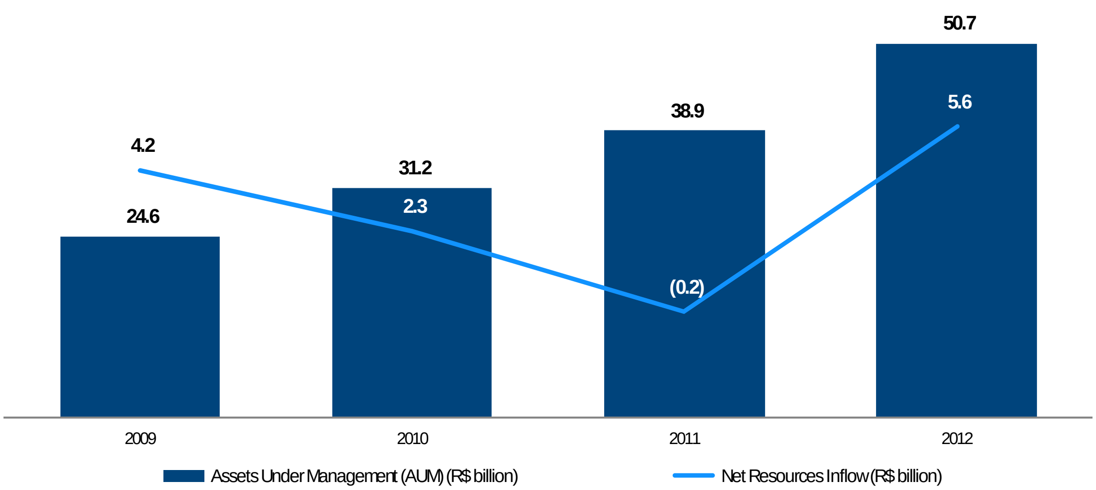
According to data published by ANBIMA, on December 31, 2012, BTG Pactual Serviços Financeiros was the seventh largest fund administrator in Brazil with R$118.2 billion in AUA.

Wealth Management

We provide investment advisory and financial planning services and offer investment products to HNWI primarily located in Brazil. These services are provided through separately managed accounts as well as multi-investor vehicles across diverse financial asset classes, through both funds managed by our asset management team and funds managed by other financial institutions or asset managers. We also offer other services to our wealth management clients such as wealth planning, loans and bank guarantees and family office services.

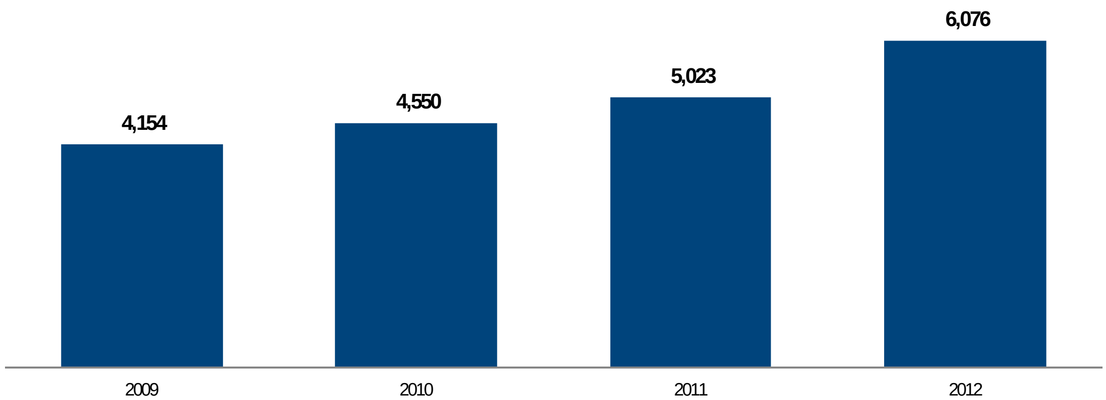
As of December 31, 2012, our wealth management unit managed approximately R$62.2 billion in assets. According to data published in a private banking survey by Euromoney in 2013, BTG Pactual Wealth Management was ranked first in the category of best private banking services (overall) provider in Brazil.

For the year ended December 31, 2012, our revenues from wealth management business unit, as reflected in our unaudited adjusted income statement, were R$201.7 million, representing 3.0% of our total revenues. The following graph sets forth an overview of our wealth management portfolio and net inflows/outflows as of each of the dates indicated below:



On December 31, 2012, we had 6,076 wealth management clients, representing 2,528 economic groups for whom we managed an average of R$20.0 million each. We have an extensive and diversified client base and do not significantly depend on any particular client. The diversification of our client base is an essential aspect of our business strategy.

The table below shows the number of clients in our wealth management portfolio at the dates indicated:



Organization

Our wealth management model is based on customized and pro-active client service through our specialized client advisors. Each client advisor attends to a limited number of clients, offering a range of financial products and personalized services according to each client's needs. Our client advisors are expected to understand their clients' needs, financial expectations and risk tolerance. Periodic reviews allow our client advisors to help clients monitor their portfolios and adapt to changing conditions. Client advisors are principally organized by client market, which allows them a higher level of client focus. We believe that this approach fosters long-term client relationships.

Our client advisors retain primary responsibility for increasing the penetration of wealth management service products within our existing customer base by introducing products and services and for generating new clients throughout Brazil.

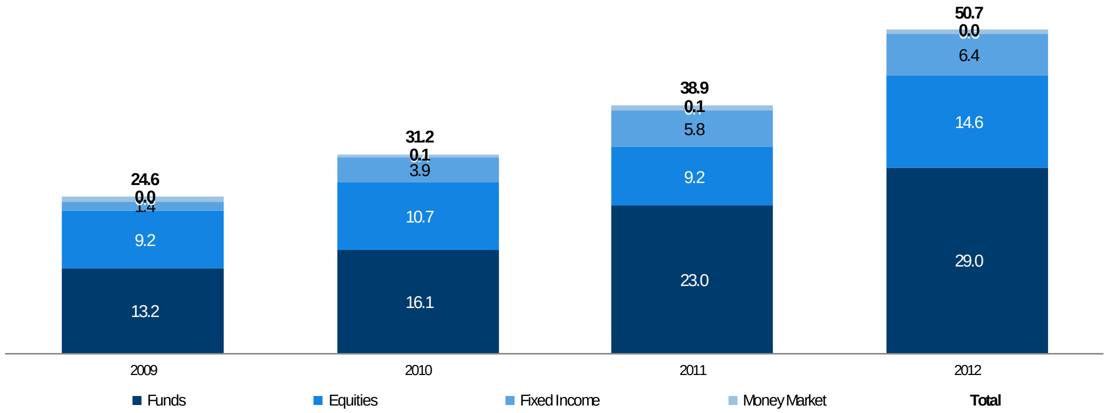
We provide a number of asset-based, transaction-based and other services to clients. Asset-based services include custodial services, deposit accounts, loans and fiduciary services, and transaction-based services include trading and brokerage and investment fund services. Wealth management also provides financial planning and consulting services. These services include establishing proprietary trusts and foundations, the execution of wills, corporate and personal tax structuring and tax efficient investments.

Financial Planning and Wealth Management. Develops integrated comprehensive wealth management services in the form of tax and estate planning, liquidity and retirement lifestyle planning, insurance products, real estate advisory services and a variety of sophisticated capital enhancement and asset protection strategies.

Financial Advisory. Provides advisory services and solutions to clients who are entrepreneurs or company owners, including funding options and advice on structuring mergers and acquisitions.

Family Office. Provides a consolidated position of investments with a view to provide complete tax and estate planning advice.

The following graph shows information concerning WUM, presented in R$ billions, by asset class in wealth management as of December 31, 2012:



PanAmericano

In January 2011, Banco BTG Pactual entered into an agreement to purchase 100% of the shares in Banco PanAmericano held by Grupo Silvio Santos for R$450.0 million, representing a 37.64% stake in Banco PanAmericano (composed of 51.00% of its voting shares and 21.97% of its non-voting shares). The transaction was approved by the Central Bank and closed on May 27, 2011. The acquisition triggered a requirement that Banco BTG Pactual commence a tender offer to purchase additional shares of Banco PanAmericano held by its minority shareholders. This tender offer was completed on September 16, 2011, resulting in an acquisition of an insignificant amount of additional non-voting shares of Banco PanAmericano. As a result, Banco BTG Pactual maintained its 37.64% stake in Banco PanAmericano's total outstanding equity. In connection with this acquisition, Banco BTG Pactual and CaixaPar, who owns a 36.56% interest in Banco PanAmericano's total capital stock, entered into a shareholders agreement which establishes the conditions for the shared control of Banco PanAmericano. In addition, CaixaPar reiterated its commitment to preserve its strategic alliance with Banco PanAmericano by entering into a cooperation agreement under which CaixaPar has agreed to acquire credits originated by, and invest in deposits issued by, Banco PanAmericano, thus helping to support its future business. Banco PanAmericano and CaixaPar also intend to expand the range of the financial products and services they offer through leveraging their distribution channels. We believe the agreement will strengthen our partnership with CaixaPar.

The banking supervision and compliance with regulatory capital requirements of Banco PanAmericano are performed and measured on a segregated basis from those of Banco BTG Pactual. Accordingly, we calculate our regulatory capital without giving effect to the assets and liabilities, risks and financial position of Banco PanAmericano, and we do not perform the proportional consolidation of Banco PanAmericano into our balance sheet. This results in each of us and Banco PanAmericano continuing to calculate the respective regulatory capital requirements on a stand-alone basis, as two independent banking conglomerates.

In November 2010, prior to our acquisition, Banco PanAmericano disclosed that a series of accounting inconsistencies had been uncovered at Banco PanAmericano which resulted in losses totaling R$4.3 billion. Upon such announcement, Grupo Silvio Santos and CaixaPar sought to prevent new inconsistencies by electing a new management team at Banco PanAmericano. In addition, Grupo Silvio Santos agreed to make Banco PanAmericano whole for such losses by injecting R$2.5 billion of capital. Subsequently, additional financial irregularities totaling R$1.3 billion and other adjustments totaling R$500.0 million were identified. As a consequence, on January 31, 2011, Grupo Silvio Santos injected an additional R$1.3 billion into Banco PanAmericano and agreed to sell its stake in Banco PanAmericano to us. We elected new officers and directors of Banco PanAmericano in April 2011.

As a result of the aforementioned problems, which demonstrated significant weaknesses and irregularities of the existing accounting systems and internal controls of the institution, Banco PanAmericano is currently executing important investments in technology and processes in order to improve operational and competitive conditions of the bank.

In April 2011, we acquired senior quotas of a credit receivable investment fund (FIDC), representing 80% of the fund's capital. The FIDC is composed exclusively of credits originated by Banco PanAmericano in the total amount of approximately R$3.5 billion. Such credits were previously acquired from Banco PanAmericano indirectly by Fundo Garantidor de Crédito, or FGC, who established the FIDC and retained ownership of subordinated quotas representing 20% of FIDC's capital. In December, 2011, we acquired the subordinated quotas of the FIDC, as a result increasing its ownership in the FIDC to 100%.

On January 18, 2012, Banco PanAmericano's shareholders approved a capital increase in an amount of up to R$1.8 billion, with an issue price of R$6.05 per share. Banco BTG Pactual and CaixaPar committed to exercise preemptive rights for an aggregate amount of R$1.335 billion, with Banco BTG Pactual's share amounting to R$677.0 million. However, Banco BTG Pactual agreed that, upon the request of TPG Axon, Banco BTG Pactual would transfer part of its preemptive rights with respect to a total of R$182.0 million of its R$677.0 million commitment. TPG-Axon elected to exercise such rights and, on April 17, 2012, subscribed for preferred shares representing, after the capital increase, 12.0% of Banco PanAmericano's preferred shares and 5.55% of its total capital stock, thus reducing Banco BTG Pactual's contribution to R$495.4 million. Following such exercise, Banco BTG Pactual maintained its 51.0% equity interest in Banco PanAmericano's common shares, and Banco BTG Pactual and CaixaPar continue to co-control Banco PanAmericano pursuant to the terms of a shareholders agreement which establishes the conditions for shared control.

On January 31, 2012, Banco BTG Pactual and Banco PanAmericano entered into definitive agreements to purchase 100% of the shares of BFRE. The total purchase price (subject to adjustment) was approximately R$1.21 billion (without including the R$335 million purchase price of certain assets by Banco BTG Pactual described below), of which R$940 million was paid by PanAmericano and R$270 million was paid by Banco BTG Pactual Prior to the closing of the transaction on July 19, 2012, BFRE was divided into two companies by means of a spin-off. The first such company, which Banco BTG Pactual acquired, retained the rights to advise, manage and/or administer certain real estate and equity investment funds. In addition, Banco BTG Pactual paid approximately R$335 million (subject to adjustment) to purchase certain real estate and equity investment funds held by BFRE. The remainder of the businesses conducted by BFRE will remain in the second company, which was purchased by Banco PanAmericano.

Banco PanAmericano generated a consolidated net income of R$67.0 million in 2011 and consolidated net loss of R$495.9 million in 2012. However, there can be no assurance that it will not generate net losses during 2013 or thereafter. We record the results of operations from Banco PanAmericano using the equity method of accounting, pursuant to which our share of Banco PanAmericano’s net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity pick-up from associates. Banco PanAmericano recorded substantial adjustments to accumulated losses in 2012. Accordingly, Banco BTG Pactual recorded gain of R$61.7 million and loss of R$119.7 million in connection with the Banco PanAmericano equity pick-up for 2011 and 2012, respectively, in its financial statements prepared in accordance with IFRS.   For the year ended December 31, 2012, our revenues from Panamericano business unit, as reflected in our unaudited adjusted income statement, were losses of R$244.5 million, representing (3.6%) of our total revenues. The management of Banco PanAmericano is taking several initiatives intended to improve Banco PanAmericano’s profitability and avoid any further accumulated loss adjustments.

We believe that the actions described above will enhance the capital structure of Banco PanAmericano and support its growth plans. However, it is possible that the initiatives to return Banco PanAmericano to profitability may not meet the expected results and that new capital injections at Banco PanAmericano will be required. See "Risk Factors—Risk Factors Relating to Our Business and Industry—Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our recent acquisition of a co-controlling interest in Banco PanAmericano or Banco PanAmericano's acquisition of BFRE could have a material adverse effect on us."

Below is a description of the main activities of our PanAmericano unit:

Consumer finance and personal loans

Banco PanAmericano provides direct consumer credit (*crédito direto ao consumidor*) and personal credit to individuals in Brazil in the lower to middle income brackets for the acquisition of certain high-cost products, including light and heavy-duty vehicles and motorcycles, real property, furniture, building materials, household appliances, electric and electronic products, and to finance expenses related to tourism. Personal loans are similar to direct consumer credit except that they are not granted for a specific purpose and can be used for general purposes. Personal loans are generally supported by third party guarantees, while direct consumer credit is usually guaranteed by conditional sale of real property or vehicles and post-dated checks.

Payroll deduction loans

Banco PanAmericano provides payroll deduction loans, a type of retail loan where repayments are deducted directly from the salary payments of employees working at public sector entities which have agreements with Banco PanAmericano. Banco PanAmericano has agreements with several public entities, including the states of Rio de Janeiro, Ceará, Goiás, Acre, Mato Grosso, Minas Gerais, Amazonas and Paraná; civil servants and pensioners of the administration of certain local and state capitals, including Goiânia, Rio de Janeiro, Florianópolis, Belo Horizonte, Cuiabá and the INSS.

Credit Cards

In 2011, Banco PanAmericano implemented a number of initiatives intended to improve its credit card base, including the redesign of its activation procedures and improvements to its Maxi Bônus rewards program and the loan recovery processes. Banco PanAmericano also implemented a series of other measures to reduce expenses and increase operating margins, such as renegotiations with co-branded card partners, the implementation of more comprehensive and structured lending models and rationalization of the investments to expand its base. All these efforts led to a decrease in the ratio of administrative expenses to net revenue in 2011.

In 2011, Banco PanAmericano issued 608.8 thousand new credit cards, including additional cards under the Visa and MasterCard brands. Banco PanAmericano's credit card account base, which includes institutional and hybrid cards, ended 2011 with 2.0 million accounts, equivalent to 3.0 million issued cards. In 2011, the volume of transactions on Banco PanAmericano credit cards was R$3.0 billion.

In August 2011, Banco PanAmericano competed against other Brazilian credit card issuers for operational quality awards from the Visa brand, open to issuers with more than twelve million transactions per year, and won in two of the award's three categories, namely the highest efficiency rate in chargebacks and the lowest request rate for copies of proof-of-sales receipts.

In September 2011, Banco PanAmericano completed the integration of the Rêv Worldwide platform with its branch network and Caixa lottery outlet network, which enabled the creation of the largest recharging network for prepaid multiuse cards in Brazil.

Insurance

Banco PanAmericano's main insurance products are (i) personal insurance and (ii) mandatory insurance for personal injury caused by motor vehicles (*Danos Pessoais Causados Por Veículos Automotores de Vias Terrestre)*, or DPVAT. Banco PanAmericano's personal insurance division focuses on group life insurance as well as personal accident and credit life insurance. In the personal injury insurance segment, Banco

PanAmericano operates principally in the DPVAT consortium, which is a pool of insurers who underwrite DPVAT on a joint liability basis.

As a policy, Banco PanAmericano passes risks in excess of R$100 thousand on to other insurers or reinsurers.

Corporate (Empresas Department)

Banco PanAmericano's Empresas Department was launched in 2009 with a focus on guaranteed account and working capital financing operations. As of December 31, 2011, Banco PanAmericano's portfolio of loans and financings totaled approximately R$843.9 million to approximately 124 corporations. Banco PanAmericano's Empresas Department is separate from our corporate lending business unit.

Principal Investments

Our principal investments includes proprietary investment activities involving a wide range of financial instruments, including merchant banking and real estate investments in Brazil, as well as a variety of financial investments in global markets. Our principal investments are primarily managed by our asset management group.

We have proprietary investments in a diversified range of financial instruments across multiple asset classes and geographic regions. Our principal investments teams responsible for the management of such investments are located in São Paulo, Rio de Janeiro, New York, London and Hong Kong. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes, including fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities and mortgages.

Our principal investments take on a variety of risks and devote substantial resources to benefiting from this exposure. We leverage our analysis of information in order to take advantage of perceived disparities in the value of assets in trading markets and of macroeconomic, company and industry-specific trends.

Our principal investments also involve arbitrage activities, by investing in a broad range of financial and equity instruments. The strategy of activities is based on making global investments through a diversified portfolio across different markets and event categories. Our investment decisions are the product of rigorous, fundamental, situational and regulatory and legal analysis.

As part of our proprietary trading activities, we invest in equity funds, fixed income funds, multi-asset funds and structured funds. For a description of these funds, see "—Business Units—Asset Management—Management of Funds."

For the year ended December 31, 2012, our revenues from our principal investments business unit, as reflected in our unaudited adjusted income statement, were R$2,338.2 million, representing 34.3% of our total revenues.

As of June 30, 2013, our merchant banking consisted of investments in the following companies:

Company Name	Description	Investment Vehicle	Our Direct or Indirect Ownership Stake
Brasbunker Participações S.A.	Provider of marine support services, offshore logistics, construction and repair services and environmental protection solutions serving the oil and gas exploration industry.	FIP Principal Investments	16.20%

CCRR Participações S.A.	Industry leader in adhesives, labels and specialty paper markets in Latin America. CCRR is a result of the merger between Colacril, the largest adhesives plant in Latin America, and RR Etiquetas, responsible for the implementation of the barcode system in Brazil.	FIP Principal Investments	29.19%
Estre Ambiental S.A.	One of the leaders in Brazilian waste collection, treatment and disposal sectors. Estre occupies a prominent position in managing landfills and developing diagnostic activities and integrated environmental solutions for waste management.	FIP Principal Investments	9.38%
Brazil Pharma S.A.	Brazil Pharma is one of the largest pharmaceutical retail companies in Brazil (in terms of number of stores), with more than 800 points of sale throughout Brazil. Brazil Pharma's business model relies on the operation of drugstores it owns as well as a network of franchisees.	FIP Principal Investments	4.01%
União de Lojas Leader S.A.	Leader is a Brazilian retailer headquartered in the state of Rio de Janeiro with a focus in the clothing and apparel segment (comprising 73% of Leader's sales) for consumers primarily from the high growth B and C economic classes in Brazil.	FIP Principal Investments and direct investment	51.87%
A! BodyTech Participações S.A.(1)	BodyTech is a leading Brazilian fitness chain operating in both the high-end and low-end markets in Brazil, with more than 31 units in operation.	FIP Principal Investments	10.27%
Universo Online S.A	UOL is Brazil's most popular web portal with about 4 million unique visitors per day. It is also Brazil's leader in data center area and online alternative payments (through PagSeguro, the Brazilian equivalent of Paypal).	FIP Principal Investments	2.21%
Contrail S.A.	Contrail is a logistics railway company established by Estação da Luz Participações ("EDLP") to capture the container flow to and from the Santos Port.	FIP Infrastructure fund	6.42%
Latin America Power Holding B.V.	LAP is a company focused on the development of renewable energy projects (small and medium hydro plants and wind farms) in Chile, Peru and Panama.	FIP Infrastructure fund	10.61%

SETE Participações S.A.	SETE is a company created to procure, own and charter drilling rigs that will be used by Petrobras in the exploration of the deepwater Pre-Salt layer oil discoveries. Based on the receivables from the existing contracts, it is considered one of the largest drilling companies in the world.	FIP Infrastructure fund and other vehicles	16.49%
B&A Mineração(2)	B&A is a joint venture together with Mr. Roger Agnelli focused on the exploration and development of mining assets in fertilizer, iron ore and copper in Latin America and Africa.	Other vehicles	87.32%
QKR Corporation Limited(2)	QKR Corporation Limited is a newly-created private mining company established to acquire a diversified portfolio of growth assets with a primary focus in Africa and Latin America. The company’s aim is to grow a large and diversified mining assets portfolio.	Other vehicles	18.73%
Túnel de Barcelona i Cadí(2)	Túnel de Barcelona i Cadí is responsible for the operation and maintenance of Vallvidrera (11.5km) and Cadi (28.7km) tunnels in the region of Catalonia in Spain for a period of 35 years, based on a concession that commenced in December 2012.	Other vehicles	65.0%
ATLL Concessionaria de La Generalitat de Catalunya S.A(2)	ATLL is responsible for managing the 50-year concession granted to Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona in Spain. The concession started in November 2012 and has a duration of 50 years.	Other vehicles	39.00%
Integração Transmissora de Energia S.A	695 kilometers of strategically important transmission lines in Brazil’s electric power grid located in the States of Goiás and Tocantins. The project was granted a concession of 30 years following a public auction held in 2005 and became operational in April 2008.	FIP Brasil Energia	2.35%
Geradora de Energia do Amazonas S.A	A thermal power plant with an installed capacity of 85.4MW located in the north of Brazil (in operation since 2006), which the BTG Pactual Group believes is strategically important in ensuring electrical supply in the northern region of Brazil and operating with a 20-year power purchase agreement with Amazonas Energia (local distribution company) granted through public auction.	FIP Brasil Energia	2.31%

Termelétrica Viana S.A	164MW of installed capacity in the State of Espírito Santo (in operation since January 2010) with a load factor of 96.8%. Fueled by heavy fuel oil supplied by Petrobras and BR Distribuidora, Tevisa operates with a power purchase agreement of 15 years with 36 distribution companies awarded through the A-3 energy auction in 2007.	FIP Brasil Energia	4.61%
Geradora de Energia do Norte S.A	Thermal power plants located in the State of Maranhão, with installed capacity of 331.74MW (in operation since January 2010). Operating with power purchase agreement of 15 years with 36 distribution companies awarded through the A-3 energy auction in 2007.	FIP Brasil Energia	1.15%
Pequena Central Hidrelétrica Rio do Braço S.A.	Small hydroelectric power plan with installed capacity of 11.52MW located in the State of Rio de Janeiro (in operation since February 2011) with an occupancy rate of 69.6%.	FIP Brasil Energia	4.61%
Linhares Geração S.A	Gas power plant with 204MW of installed capacity located in the State of Espírito Santo (in operation since December 2010). PPA's of 15 years with 30 distribution companies awarded through the A-3 energy auction in 2008.	FIP Brasil Energia	3.61%
CPFL Renováveis (current)	CPFL Renováveis explores opportunities in renewable energy, with a portfolio totaling 4,438MW comprised of small (up to 30MW) and medium (up to 200MW) sized plants, including 34 small hydropower plants, four wind farms and three biomass power plants in operation, one small hydropower plant, 25 wind farms and four biomass power plants in construction and five small hydropower plants and 11 wind farms in development.	FIP Brasil Energia	7.63%
Santé Alimentação e Serviços S.A.	Company in food industry specializing in the outsourcing of industrial kitchens.	Nordeste Empreendedor FMIEE	2.74%
Gratícia Produtos Alimentícios S.A.	Fleet outsourcing company focused on the private sector in the northeast region of Brazil and also operates car rental and fleet management businesses.	Nordeste Empreendedor FMIEE	1.05%
MAIS Participações S.A.	Specialty food company manufacturing snack foods with strong market presence in the State of Pernambuco and other northeastern states of Brazil.	Nordeste Empreendedor FMIEE	3.69%
BR Brokers S.A.	Leading real estate brokerage and consulting firm in Brazil with more than 16,960 brokers and 1,072 branches.	FIP Principal Investments	4.35%

Deep Sea S.A.	Joint Venture between Deep Sea Supply and BTG Pactual focused on the operation of offshore supply vessels ("OSV") in Brazil.	FIP Principal Investments	17.11%
Petro África S.A.	Joint Venture (50/50) between Petrobras and BTG Pactual for oil and gas E&P activities in Africa	FIP Principal Investments	30.00%
Timber S.A.	One of the largest independent commercial timberland management company worldwide. With a widely diversified portfolio across the USA, Latin America, Europe and South Africa.	Banco BTG Pactual	26.67%

(1) Represents the equity interest in case convertible feature of debentures held by us is exercised.
(2) Unfunded commitment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Commitments."

While the merchant banking activities for the BTG Pactual Group are typically conducted through BTGI, Banco BTG Pactual is also engaged in certain merchant banking activities, consisting primarily of minority investments in certain of the portfolio companies of the private equity funds managed by Banco BTG Pactual's asset management team. (see "—Asset Management—Management of Funds."

Real Estate

The BTG Pactual Group has also made, through Banco BTG Pactual, numerous investments in the Brazilian real estate sector, which contributes to its principal investments business unit. It is possible that in the future we will participate in certain of such investments or that we will be the vehicle for certain of the Brazilian real estate investments made by the BTG Pactual Group.

As of June 30, 2013, Banco BTG Pactual's real estate investments consist of investments held in the following portfolio companies:

Company Name	Description	Investment Vehicle	Ownership Stake
BR Properties S.A.	One of the most important market participants in the Brazilian real estate properties segment, with a focus on the development, acquisition, leasing and sale of commercial and industrial/logistics real estate properties in Brazil. BR Properties is the surviving company following the merger of BR Properties and One Properties on March 29, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Establishment of One Properties and Merger into BR Properties."	Banco BTG Pactual S.A.	24.53%

Company Name	Description	Investment Vehicle	Ownership Stake
BW Properties S.A.	A real estate development company focused on commercial development and long-term real estate investments. It was formed following our joint investment with WTorre Properties S.A., and is currently developing two real estate projects in rapidly growing regions of São Paulo. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Establishment of BW Properties S.A."	Banco BTG Pactual S.A.	67.86%
ACS Omicron Empreendimentos Imobiliários S.A	Residential real estate project in São Paulo selling 50m² apartments at an average price of R$450 thousand each. The total potential value of the project if all units are sold (valor geral de venda), or VGV, is approximately R$62 million.	Banco BTG Pactual S.A.	44.74%
Maxcasa XIX Empreendimentos Imobiliários S.A	Residential real estate project in São Paulo selling 70m² apartments at an average price of R$600 thousand each. The VGV for the project is approximately R$106 million.	Banco BTG Pactual S.A.	50.00%
Warehouse 1 Empreendimentos Imobiliários S.A.	A commercial real estate project in Rio de Janeiro selling spaces for stores, storage and other commercial purposes ranging in size from 25m² to larger warehouse spaces. The VGV for the project is approximately R$380 million.	Banco BTG Pactual S.A.	35.00%
FII BTG Pactual Corporate Office Fund	BC Fund is one of the largest Brazilian REIT and its shares have been trading on the BM&FBovespa since December 2010. The BC Fund was set up in June 2007 andits the primary objective being to invest in commercial corporate office rental space in Brazil, strategically located in large commercial centers, through the acquisition of commercial real estate or real estate rights, already built or in a final stage of construction.	Banco BTG Pactual S.A.	9.21%
FII Edificio Castelo	FII Edificio Castelo is a single-asset Real Estate Fund that holds 100% of Edifício Castelo, a class A corporate building located in downtown Rio de Janeiro.	Banco BTG Pactual S.A.	2.00%
FII Property Invest	FII Property Invest is a single-asset Real Estate Fund that holds 100% of BCP Alphaville, a class A corporate building located in Alphaville (São Paulo metropolitan region) and is in process of leasing up. The fund was created in 2007 and the building was completed in 2012..	Banco BTG Pactual S.A.	100.0%

Company Name	Description	Investment Vehicle	Ownership Stake
BTGP Real Estate Development Fund	BTG Pactual Real Estate Development Fund is a vehicle focused on Brazil. The Fund will primarily focus on residential/mixed use opportunities, with an opportunistic view on small office buildings. The Fund held its first close in July, 2013 with US$ 480 million in commitments.	Banco BTG Pactual S.A.	50.00%
BCRE Development Fund II	BCRE Development Fund II is a development fund and was structured with the objective of providing a return determined by foreign investors through the participation in residential real estate development projects in Brazil. The Fund was created in June, 2010 and during its investment period made investments located in São Paulo, Goiás, Ceará and Bahia.	CPLS / BTGI	46.67%
FII Hotel Maxinvest	FII Hotel Maxinvest holds a portfolio of hotel (flats) in São Paulo-SP with more than 400 units. The Fund was created in 2007 to take advantage of the hotel market in São Paulo, which was expected to recover in the coming years. Recovery of the hotel market effectively happened, the increase in the distribution of hotel income and the increase in value of hotel units ensured that investors in Maxinvest has received one of the best returns in the market since 2007.	Banco BTG Pactual S.A.	16.49%
FII BTG Pactual Shopping	FII BTG Pactual Shopping holds a stake in FII Shopping West Plaza, a single-asset REIT. FII West Plaza invests in shopping mall West Plaza located in the west region of Sao Paulo city	Banco BTG Pactual S.A.	100.00%
FII BTG Pactual Malls	FII BTG Pactual Malls holds a stake in FII Shopping Jardim Sul, a REIT created in 2012 that invests in Shopping Center Jardim Sul, a shopping mall located in Morumbi - São Paulo city and managed by BR Malls.	Banco BTG Pactual S.A.	100.00%
FII BTG Pactual Fundo de CRI	FII BTG Pactual Fundo de CRI was the first Brazilian Mortgage Backed Securities (MBS) REIT. Its shares have been trading on the BM&FBovespa since its IPO, held in April 2010. The purpose of FII BTG Pactual Fundo de CRI is to invest in real estate assets through the acquisition of the MBS, Mortgage Notes (LH and LCI), and other eligible assets specified in the fund’s bylaws.	Banco BTG Pactual S.A.	1.35%
FII Ametista	FII Amestista is currently a single-asset Real Estate Fund that holds 100% of a land in Cajamar – SP, where will be developed a huge logistic property to a traditional Brazilian retail company (built-to-suit).	Banco BTG Pactual S.A.	100.00%

We make merchant banking investments generally through privately negotiated transactions with a view to divestment within four to ten years.

Transfer of BTG Alpha

Prior to March 31, 2010, BTGI, through our indirect wholly-owned subsidiary BTG Alpha, had merchant banking investments in the following entities: a 12.4% equity stake in MMC Automotores do Brazil S.A., a 50.0% stake in Farmais Franchising Ltda., a 19.7% equity interest in Brazil Pharma, a 12.4% equity stake in Suzuki Veículos do Brasil S.A., a 95.0% equity stake in All Park Empreendimentos, Participacões e Serviços S.A. and a 51.0% equity stake in Derivados do Brasil S.A.

On March 31, 2010, BTGI transferred BTG Alpha for R$92.4 million to the Merchant Banking Partnership. The Merchant Banking Partnership is owned by the Partners. On April 1, 2010, the Merchant Banking Partnership started to pay a management fee equal to 2.0% of the total AUM of the Merchant Banking Partnership and a performance fee equal to 20.0% of the return on the investments to the asset management unit of Banco BTG Pactual, which is serving as the investment advisor to such partnership. In addition, we made a series of loans totaling R$92.4 million to the Merchant Banking Partnership to finance its acquisition of BTG Alpha. Such loans were repaid in full in November 2010. However, the terms of the loans continue to provide us with a portion of the profits made on certain of BTG Alpha's investments in the Partners' Merchant Banking Companies. In particular, with respect to certain designated investments that existed at the time of such loans (or that were purchased by means of the capital commitments made with the proceeds of such loans), the Merchant Banking Partnership is required to pay to us the Merchant Banking Equity Kicker. The Merchant Banking Equity Kicker applies only to certain investments made in the past by us that were transferred to the Merchant Banking Partnership. See "Related Party Transactions—Transfer of BTG Alpha and BTGI Loan to the Merchant Banking Partnership" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divesture of BTG Alpha.

As a result of the Merchant Banking Equity Kicker, we also have economic interest in the following companies:

Company Name	Description
DVBR - Derivados do Brasil S.A.	One of the largest operators of gas stations in southeastern Brazil created following the merger of the networks of Via Brasil and Aster.
Mitsubishi - MMC Automotores do Brasil S.A.	Manufacturer and importer of Mitsubishi vehicles in Brazil, selling approximately 60,572 vehicles in 2012.
Susuki - SVB Automotores do Brasil S.A.	Importer of Suzuki vehicles in Brazil, selling approximately 7,115 vehicles in 2012.
Estapar - Allpark Empreendimentos, Participações e Serviços S.A.	Brazil's largest parking company, with a presence in 15 Brazilian states. Including franchisee parking lots, Estapar's brand is present in over 800 parking lots, including lots in off-street segments, on-street (blue zone electronic) segments, real estate and public and private concessions.
Brazil Pharma S.A.	Brazil Pharma is one of the largest pharmaceutical retail companies in Brazil (in terms of number of stores), with more than 800 points of sale throughout Brazil. Brazil Pharma's business model relies on the operation of drugstores it owns as well as a network of franchisees.

Celfin

On November 13, 2012, Banco BTG Pactual consummated a transaction in which it purchased all of the outstanding shares of Celfin, a leading financial services and brokerage firm in Chile that also operates in Peru and Colombia. We believe our transaction with Celfin represents a milestone in our effort to replicate our history of success in Brazil throughout Latin America, in particular in the Andean region, and uniquely positions us as a true leader throughout the region.

BUSINESS

Celfin's History and Organization

Celfin was founded in 1988 by three partners, Jorge Errázuriz, Juan Andrés Camus and Mario Lobo, as a research and asset management company. Shortly thereafter, Celfin was appointed as sub-advisor and local administrator for the Chile Fund Inc., the largest vehicle for foreign currency investments in Chile, which is listed on the NYSE.

Celfin soon expanded its operations to include investment banking, partially as a result of its relationship with Salomon Brothers Inc., and in 1990, Celfin participated in the ADR offering of Compañía de Telecomunicaciones de Chile, which was the first ADR issuance by a Chilean company. This transaction led to Celfin's participation in numerous other equity offerings and listings by Chilean issuers.

In 1997, Celfin acquired a brokerage house and, shortly thereafter, became the leading brokerage house in Chile, according to the Santiago Stock Exchange (*Bolsa de Comercio de Santiago*), with a market share of 16.1% as of December 2012.

Over the following ten years, Celfin continued to grow, eventually expanding its business to include additional investment banking, asset management and wealth management operations. In 2007, Celfin initiated its expansion throughout the Andean region and opened an office in Lima, Peru. Celfin is one of the leading brokerage houses in Peru, with a market share of approximately 8.2% as of December 2012, according to the principal securities regulator in Peru (*Superintendencia de Mercado de Valores*). In 2010, Celfin continued its regional expansion by opening an office in Medellin, Colombia, and obtained a brokerage license in Colombia in October 2011.

Prior to the consummation of our purchase of Celfin, Celfin had six partners and two controlling shareholders, Juan Andrés Camus and Jorge Errázuriz.

Celfin's Business Areas

Celfin has a comprehensive portfolio of products, and we intend to further expand its operations to include many of the additional products and services we currently offer in Brazil.

Celfin's main business units are:

Asset Management

Celfin is one of the leading asset managers in Chile, with over US$4.3 billion in assets under management as of December 31, 2012. Celfin's main clients include Chilean pension funds, insurance companies, family offices and HNWI. Celfin's principal asset management products include publicly traded funds, private investment funds and discretionary portfolios. As part of its offering of publicly traded funds, Celfin manages closed-end funds, which mainly target HNWI and institutional investors, and open-ended funds, which are primarily mutual funds targeted to corporations and individuals. Celfin's private investment funds and discretionary portfolios primarily target individuals. The investment strategy of such funds and portfolios is to invest largely in Latin American and emerging debt and equity capital.

In addition, Celfin manages real estate investments in Chile on behalf of its clients through closed-end and private investment funds. Real estate funds managed by Celfin own several residential and commercial properties, including office buildings, in Santiago, Chile and from time to time enter into joint ventures for residential development projects. In 2011, Celfin launched a real estate, mining and forestry fund focused on making investments in real assets and financial assets in those sectors in Chile.

Wealth Management

Celfin is a leading wealth management firm in Chile, with US$5.6 billion in wealth under management as of December 31, 2012. The wealth management group is divided in two subdivisions, one specializing in HNWI and the other specializing in retail clients. Within its wealth management unit, Celfin offers brokerage and execution services, advisory services and discretionary portfolio management. Celfin has an independent and dedicated investment team, which includes specialists in different asset classes who provide tailored services and advice to its wealth management clients. Celfin is actively expanding its wealth management services in Peru.

Investment Banking

Celfin's investment banking group specializes in M&A, equity and debt capital markets and project finance. In the capital markets area, Celfin is one of the largest firms in Chile, with over US$10.0 billion in executed equity transactions, US$5.0 billion in M&A transactions and US$4.0 billion in debt and capital markets transactions from 2006 through 2012. Celfin's most significant recent capital markets transactions include the sale of 28.0% of Lan Airlines for US$1.5 billion in 2010 and the capital increase of Compañía Sud Americana de Vapores (CSAV) of more than US$2.0 billion in three different tranches, the most recent of which closed in February 2012. Celfin is also an active participant in local and cross-border M&A, having served as advisor in connection with the US$555.0 million acquisition of Cementos Melon by the Brescia Group of Peru and the acquisition of Cintra Chile by ISA of Colombia in 2010. In debt capital markets, Celfin has served as underwriter or lead manager in transactions that have raised more than US$4.0 billion of capital for its clients from 2008 through 2012. In 2011, Celfin also created a project finance group specializing in advising and raising capital for infrastructure projects throughout Latin America.

Celfin has received numerous awards from various publications in recent years, including from *Diario Financeiro*, a leading business newspaper in Chile, for being the best investment bank in Chile in 2010 and 2011. In addition, Celfin was awarded best financial institution in Chile by *Latin Finance* and *World Finance* in 2010 and 2011, respectively and best financial institution in Chile by *World Finance* in 2012 as well as best wealth management institution by *Euromoney* in 2012.

Sales and Trading

Celfin is one of the leading brokerage houses in the Andean region, with a physical presence in Chile, Peru, and Colombia. Since 2001, Celfin has been among the top three brokers in Chile in terms of volume traded, reaching 16.1% market share as of December 2012. Celfin's main clients include local and foreign institutional investors and individuals. In Peru, Celfin is also a leading broker in terms of volume traded, with a market share of approximately 8.2% as of December 31, 2012. Although Celfin only recently commenced brokerage operations in Colombia, it has gained a significant position with respect to institutional investors in Colombia. While Celfin has a strong regional presence in equity brokerage, it has been historically less active in the fixed income brokerage market, where it competes with commercial banks.

As part of its Fixed Income, Currency and Commodities (FICC) group, Celfin trades local government and corporate bonds for third parties, and to a lesser extent, for its own account. Celfin is also active in foreign exchange trading, spot and forward trading for individuals and corporations and simple derivatives intermediation. In addition, Celfin's FICC team structures notes for its clients.

Institutional Fund Distribution

Celfin provides research and other services to institutional investors in the Andean region, mainly pension funds, to assist them in making investments outside of Chile, Peru and Colombia. Celfin is one of the largest participants in this market, with a market share of 18.9% as of December 2012. As of December 31, 2012, the market value of products distributed by Celfin on behalf of foreign asset managers and held by institutional investors in Chile, Peru and Colombia was in excess of US$11.0 billion.

Bolsa y Renta

On December 30, 2012, Banco BTG Pactual consummated a transaction in which it purchased all of the outstanding shares of Bolsa y Renta, one of Colombia’s largest equity brokerage firms in terms of transaction volume, for total consideration of approximately US$58.4 million, thus concluding negotiations initiated with Bolsa y Renta in 2011.We view our transaction with Bolsa y Renta as key to our efforts to achieve substantial additional geographic diversification.

Bolsa y Renta's History and Organization

Bolsa y Renta, Comisionista de Bolsa, was founded by Luis Carlos Vargas Molina in Medellín, Colombia in 1953 to trade Colombian stocks and bonds. Subsequently, it operated under different names until 1992, when it adopted its current name - Bolsa y Renta S.A. Since its establishment, the firm has provided high quality products and services to the Colombian market and has sought to develop highly qualified talent through the implementation of a results oriented philosophy that stresses high ethical principles.

Bolsa y Renta is known for its involvement in the development of the Colombian stock market. Notably, Bolsa y Renta was a founding member of the "Bolsa de Valores de Medellín" in 1961 and also participated in the establishment of the "Bolsa de Valores de Colombia" in 2001.

In 2006, a new group of senior executives acquired a percentage of Bolsa y Renta, with the goal of implementing an innovative business plan based upon cutting-edge market strategies that both supported the firm's traditional activities in the Colombian stocks and bonds market and also aimed at providing new products such as funds, alternative investments and private portfolio management.

In 2008, Bolsa y Renta expanded its operation to Bogotá. Shortly thereafter, the firm began operations in the Colombian foreign exchange market and also began to trade in the derivatives market.

In 2010, Bolsa y Renta led ConConcreto S.A.'s initial public offering in Colombia as well as Banco Davivienda S.A.'s offering. In 2011, the firm led Grupo Nutresa's offering and expanded its business to include investment banking operations.

Prior to the consummation of our purchase of Bolsa y Renta, it had 26 partners, and as of December 31, 2012, Bolsa y Renta had 265 employees and 3 offices in Colombia (located in Medellín, Bogotá and Ibagué).

Business Model and Financial Highlights

Bolsa y Renta is an investment bank, asset manager and wealth manager with a business model focused on satisfying the needs of individual, institutional and corporate clients through the application of disciplined and well-rounded investment processes and client oriented strategies. Bolsa y Renta's products include equity, capital market funds, alternative funds, private portfolios, investment banking and international products. Bolsa y Renta also provides additional services such as equity research and online trading.

Bolsa y Renta has consistently been a major player on the Colombian stock market, ranked as one of the largest broker dealer by volume of equity transactions in Colombia, with a portfolio of US$3.4 billion in wealth under management and US$721.2 million in asset under management as of December 31, 2012.

Bolsa y Renta also has an internationally recognized team of research analysts and is recognized for having the largest economic research coverage in the Colombian stock market.

Competition

The financial services industry, and all of the businesses with which we compete, are intensely competitive, and we expect them to remain so. Our competitors are other investment banking and financial advisory firms, broker-dealers, commercial and universal banks, insurance companies, investment management firms, hedge fund management firms, merchant banking and private equity firms and other financial institutions. We compete with some of our competitors globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including quality of personnel, transaction execution skills, investment track record, quality of client service, individual and institutional client relationships, absence of conflicts, range of products and services, innovation, brand recognition and business reputation.

BUSINESS

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products than we offer and have more extensive investment banking, principal investments, asset management and wealth management services, which may enhance their competitive position. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors.

We also face intense competition in attracting and retaining qualified employees and other personnel in each of our business units. We compete on the level and nature of compensation and equity-based incentives for key employees and other personnel. Our ability to continue to compete effectively in each of our business units will depend upon our ability to attract new highly qualified employees and retain and motivate our existing talent.

We believe that our main competitors (including their affiliates) across the seven business units in which we operate include the following:

Investment Banking. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A., N M Rothschild & Sons Limited and Banco Santander (Brasil) S.A.;

Corporate Lending. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Santander (Brasil) S.A., Itaú Unibanco S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A. and HSBC Bank Brasil S.A. Banco Múltiplo;

Sales and Trading. Banco do Brasil S.A., Banco Bradesco S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander (Brasil) S.A.;

Principal Investments. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander (Brasil) S.A.;

Asset Management. Banco do Brasil S.A., Itaú Unibanco S.A., BRAM Bradesco Asset Management S.A. DTVM, HSBC Bank Brasil S.A. Banco Múltiplo, Banco Credit Suisse (Brasil) S.A. and BNY Mellon Serviços Financeiros DTVM S.A.;

Wealth Management. Itaú Unibanco S.A., Banco Credit Suisse (Brasil) S.A., Banco do Brasil S.A., Banco Opportunity S.A., Banco Bradesco S.A. and Banco Safra S.A.; and

PanAmericano. Banco Votorantim S.A., Banco Bradesco S.A., Banco Safra S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Santander (Brasil) S.A.

The competitors mentioned above do not necessarily include Celfin’s or Bolsa y Renta’s competitors.

Risk Management

In the ordinary course of our business, we are exposed to various risks inherent to banking activities. The way we manage these risks directly affect our activities and operations and, consequently, our results of operations and financial condition. Some of the most significant risks to which we are exposed to include market risk, liquidity risk, credit and counterparty risk, tax risk, operational risk and legal and regulatory risk.

Our management of these risks involves different levels of our management team and encompasses a series of policies and strategies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. In addition, a number of our committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees (including their subcommittees), meet regularly and consist of senior members of both our business units and areas that are independent of our business units.

Information Technology

Information technology is an essential component of our business growth, and thus our information technology architecture has continuously been developed to increase the efficiency and reduce the operational risk of our business processes. Over the years we have developed a comprehensive and fully integrated system platform that supports all business lines, which we believe to be perfectly fitted to the Brazilian and international markets.

We have two main data centers, one in Rio de Janeiro and one in São Paulo, which are configured to act as back-up sites to each other. In addition to the Brazilian data centers, we have two others in New York and London to support our international business operations locally as well as function as back-up sites globally.

We believe that our security policy is well-disseminated among and adhered by our personnel. This policy regulates the access and use of all our information technology resources by our personnel, and encompasses human, physical and logical security requirements, as well as encrypted resources.

We are currently designing and developing what we consider to be a next generation platform to support the growth of our business for the next decade. The strategic projects that have been executed include the implementation of the leader Enterprise Resource Planning (ERP) system, the use of virtualization to optimize the use of the servers and the redesign of our international system platform to better support our international expansion.

Marketing

We believe that the strong recognition of our brand is primarily the result of the strong and transparent image we have built with our clients and the awards that we have received, such as the best bank in M&A in Latin America by Global Finance in 2012; the best fund manager in the Largest Fixed Income and Flexible Mixed Allocation categories by Standard & Poor's/*Valor Econômico* in 2012; the best investment bank in Brazil by *Latin Finance* in 2010 and *Global Finance* in 2011; #1 M&A – Brazil 2011 from the annual rankings of each of Thomson Reuters, Bloomberg and Dealogic; the Best Fund Manager – Brazil 2011, as well as Best Manager in Active Fixed Income 2011, Best Manager in Conservative Fixed Income 2011, Best Manager in Multi-Market Assets 2011 and Best Manager in Wholesale Funds 2011, all from *Exame* and FGV; Best Fixed Income Fund Manager 2011 and Best Multi-Market Fund Manager 2010 from *Valor Econômico;* #1 M&A Best Investment Bank – Brazil 2010 from *Latin Finance* Best Equity House – LatAm 2010 from *Latin Finance*; Equity House of the Year – Brazil 2010 from *Euromoney*; Best Brazil and LatAm Fixed Income/Credit Research 2010 from *Institutional Investor*, among others. We believe that our strong recognition also helps us to attract new clients without significant marketing initiatives and signals our expertise in the market. Our marketing efforts are usually limited to specific and focused marketing events.

Human Resources

Prior to the BTG Pactual Group's corporate restructuring in September 2011, BTGI (and consequently, BTG Pactual Participations) had employees in its subsidiaries that were responsible for conducting its international activities in London, New York and Hong Kong. Pursuant to the corporate restructuring of the BTG Pactual

Group in September 2011, however, these employees were transferred to Banco BTG Pactual, and, as a result, as of the date of this Prospectus, BTG Pactual Participations does not have any employees. Banco BTG Pactual's asset management team is responsible for managing the investments of the BTG Pactual Group. Neither Banco BTG Pactual nor BTG Pactual Participations sets aside funds for pension or retirement plans or other similar benefits for any BTG Pactual employee or senior management. See "Management—Compensation."

As of December 31, 2012, our personnel consisted of over 2,195 employees (including full time employees, interns, outsourced employees and the employees of Celfin) who perform a number of different supporting activities. The table below shows the number of such individuals by geographic location as of the dates indicated:

	As of December 31,		
Location	**2010**	**2011**	**2012**
Brazil			
Rio de Janeiro	481	541	623
São Paulo	421	466	667
Belo Horizonte	5	5	5
Porto Alegre	5	5	6
Recife.	7	7	7
Brasilia	–	–	4
New York(1)	–	89	110
London(1)	–	76	91
Hong Kong(1)	–	9	12
Chile(2)	–	–	507
Peru(2)	–	–	36
Colombia(2)	–	–	23
Other locations	–	2	6
Outsourced	60	56	98
Total	**979**	**1,256**	**2,195**

(1) Pursuant to the corporate restructuring of the BTG Pactual Group in September 2011, employees of BTGI's subsidiaries responsible for conducting our international activities in London, New York and Hong Kong were transferred to us.

(2) Reflects the former employees of Celfin following the acquisition consummated on November 13, 2012.

In order to meet Central Bank requirements, as well as improve the quality of our credit products, we regularly provide classes, seminars and conferences for our personnel in their respective areas of expertise, including classes related to the prevention of money laundering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Legal and Regulatory Risk." We also regularly provide financial support to other classes and seminars requested by our personnel that we deem useful for our business operations.

In 2012, we had payroll expenses of R$605.6 million, including expenses in connection with salaries, payroll charges and benefits. These benefits include: (i) meal vouchers, (ii) food vouchers and (iii) medical and dental insurance. We also maintain a profit-sharing plan regulated by a collective bargaining agreement with the National Banks Federation (*Federação Nacional de Bancos*) and the Banking Trade Union (*Sindicato dos Bancários*).

Our personnel based in Brazil are also members of the Banking Trade Union, and we are members of several bank associations. We believe that we have a good relationship with our employees and relevant unions and we have never experienced a strike or other labor conflict.

BUSINESS

Properties

We have offices in Rio de Janeiro, São Paulo, Porto Alegre, Belo Horizonte, Recife, Brasília, Salvador and Ribeirão Preto, Brazil, as well as offices in New York, London, Hong Kong, Santiago, Lima, Medellin and Bogota. In 2013, we expect to open an office in Curitiba, Brazil and are in the process of establishing an office in Mexico City. We own a portion of our offices in Santiago, Chile and otherwise lease all of our offices. In December 2012, moved our São Paulo operations to a substantially larger office and may seek additional leases in the future as a result of our growth prospects.

All of our lease agreements are valid, with a specified term. There are no liens or encumbrances affecting the properties which we lease, and our use and operation of such properties do not violate any applicable laws.

Insurance

We maintain insurance policies to cover us against certain risks we believe may affect our operations. We only maintain insurance policies for our independent directors that provide coverage against risks associated with fraud, directors' and officers' liability, and other related risks which are customary in the industry in which we operate. Our insurance policies are renewed on an annual basis and contain standard terms and conditions applicable to insurance policies with similar coverage.

Our insurance policy for named perils provides coverage against damages to our furniture and devices within such premises caused by fire, lightning, explosions and electric damages, in our offices, as well any other damage caused by any of the events mentioned. The maximum recovery award under our two insurance policies that we maintain varies according to the covered location. Such award may be up to R$71.0 million.

Intellectual Property

We have registered the trademark "BTG Pactual" in both word and combined forms before the Brazilian Institute of Industrial Property (*Instituto Nacional de Propriedade Industrial*), and before intellectual property agencies in several other countries, including the United States, Hong Kong, Singapore, Chile, Argentina, Mexico, India and Turkey.

In addition, we have registered several other brands we use in Brazil and elsewhere such as "Latin Stockwatch," "Brazil Equities Handbook," "Latin American Daily Economic Comment" and "Brazil Follow the Money."

We own the domain names "pactual.com.br" and "btgpactual.com.br," among others, which are duly registered with NIC.br (*Núcleo de Informação e Coordenação do Ponto Br*), the entity responsible for registering domain names in Brazil.

Material Agreements

We are party to several agreements arising out of the normal course of our business, such as a broad range of financial agreements and other agreements, including for telecommunications services, supply of goods and information technology. We do not believe that any of those agreements, taken individually, is material to either Banco BTG Pactual's or BTG Pactual Participations' financial condition, results or operations. For a summary of material agreements entered into with related parties, see "Related Party Transactions."

In addition, we have entered into certain other material acquisition and sale agreements. Banco BTG Pactual is a party to material agreements relating to (i) the acquisition of Banco PanAmericano (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Banco PanAmericano Co-Controlling Interest and BFRE") and (ii) the creation of One Properties (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant

Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Establishment of One Properties and Merger into BR Properties").

Both Banco BTG Pactual and BTGI (and consequently BTG Pactual Participations) are parties to material agreements relating to (i) the acquisition of Celfin (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Acquisition of Celfin") and (ii) the acquisition of Bolsa y Renta (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestitures and Corporate Restructurings Affecting the Results of Operations BTG Pactual—Acquisition of Bolsa y Renta").

Legal Proceedings

BTG Pactual Participations

Other than as described below in this "Legal Proceedings," BTG Pactual Participations is not aware of any governmental, legal or arbitration proceedings (including any such pending or threatened proceedings) in the 12 months preceding the date of this Prospectus that may have or have had a significant effect on BTG Pactual Participations' financial position or profitability.

On November 27, 2012, BTGI, Acciona S.A. and a consortium of investors were awarded the management concession for Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona, Spain, for a period of 50 years. BTGI holds a 39% equity interest in ATLL, Concessionaria de La Generalitat de Catalunya S.A., or ATLL, the entity that was awarded the concession. The total concession fees are EUR1,047 million, of which EUR310 million was paid on the signing of the contract and the remainder will be paid in 50 annual installments. As of December 31, 2012, BTGI had an investment equivalent to R$157.7 million and loans equivalent to R$168.3 million.

The result of the bidding process is being challenged in the Tribunal da Cataluna in Barcelona, Spain by a third party that also participated in the bidding process. ATLL and its legal advisers believe that ATLL has contractual rights to obtain compensation for any losses incurred in connection with such challenge as well as to obtain reimbursement of the amount paid to the concession in the event of a loss of the lawsuit and consequently, the concession. As a result, neither BTGI nor BTGP have recorded any provision for this matter.

Banco BTG Pactual

Banco BTG Pactual is party to various judicial and administrative proceedings, including tax, labor and civil proceedings, arising in the ordinary course of its business. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, we believe that Banco BTG Pactual's provisions for judicial and administrative proceedings are sufficient to meet its potential losses. As of December 31, 2012, Banco BTG Pactual's provisions for legal proceedings were R$673.8 million and respective judicial deposits were R$654.9 million, as detailed below. Other than as described below in this "Legal Proceedings," Banco BTG Pacual is not aware of any governmental, legal or arbitration proceedings (including any such pending or threatened proceedings) in the 12 months preceding the date of this Prospectus that may have or have had a significant effect on the financial position or profitability of Banco BTG Pactual.

Tax Proceedings

As of December 31, 2012, Banco BTG Pactual was a party to approximately 239 legal proceedings involving the payment of certain taxes and contributions, representing contingencies in the total amount of approximately R$3,833.9 million, for which provisions in the amount of approximately R$644.7 million and judicial deposits in the amount of approximately R$633.0 million have been made. One of the most material of these proceedings is comprised of disputes related to the payment of Social Security Contribution tax

(Contribuição para o Financiamento da Seguridade Social), or COFINS dating back to the period from February 1999 onwards. Such proceedings involve an aggregate amount of approximately R$584.2 million, which was fully deposited. In 1998, new tax legislation was enacted which required Brazilian companies to pay COFINS on revenues resulted from financial investments (Law No. 9,718/98). Prior to 1998, the Brazilian Federal constitution dictated that Brazilian companies were only required to pay COFINS taxes on revenues from operational activities. Banco BTG Pactual challenged the assessment of COFINS from financial investments and claimed the right to calculate the tax pursuant to the Complementary Law No. 7/70, arguing that in order to expand the COFINS tax calculation basis, the Brazilian legislature was required to observe a constitutionally mandated waiting period prior to enacting the legislation. In December 2008, Banco BTG Pactual obtained partially favorable decisions in the Federal Regional Court of Brazil, and in July 2010, Banco BTG Pactual appealed such decisions before both the Brazilian Superior Court of Justice and to the Brazilian Supreme Court. Banco BTG Pactual is currently awaiting resolution of these appeals, and in the meantime, its rights under the initial partially favorable decision are still in effect. Banco BTG Pactual has been advised by its external legal counsel that it has a possible likelihood of losing these appeals.

In addition, Banco BTG Pactual is also party, as of December 31, 2012, to several additional tax proceedings, representing contingencies in the total amount of approximately R$1,052.3 million, for which no provisions were made. These proceedings include: (i) proceedings in the amount of R$872.9 million concerning payments related to Banco BTG Pactual's profit sharing program (PRL) challenging the social security contribution related to these payments and its non-deductibility from its income and social contribution tax base (IRPJ and CSLL, respectively); (ii) an administrative proceeding in the amount of R$91.9 million involving the Municipality of São Paulo's assessment that certain services rendered in Rio de Janeiro were effectively rendered in São Paulo; and (iii) proceedings in the amount of R$87.5 million concerning the demutualization and IPO of the Bovespa and BM&F, challenging the taxation of PIS, COFINS, IRPJ and CSLL on revenues arising from Banco BTG Pactual's sale of these companies' shares. Banco BTG Pactual has been advised by its external legal counsel that it has a possible likelihood of losing these proceedings.

In addition to the legal proceedings described above, in October 2012, the BTG Pactual Group received a tax assessment totaling R$1,994.0 million in which the main allegation (referring to approximately R$1,970.0 million) was its use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by it was inappropriate. Such goodwill was originated in connection with the acquisition of Banco BTG Pactual by UBS in 2006. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009.

Banco BTG Pactual filed an appeal of this tax assessment. Based on its analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that Banco BTG Pactual will ultimately prevail in its appeal. As a result, Banco BTG Pactual does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and has not established (and does not expect to establish) any related reserves on its financial statements. In addition to its assessment as to the validity of this tax assessment, in the event that Banco BTG Pactual incurs losses in connection with this matter, we believe it is entitled to be indemnified by third parties for such losses. Accordingly, in no event do we expect Banco BTG Pactual to incur any material losses in connection with this matter.

Labor Proceedings

As of December 31, 2012, Banco BTG Pactual was a party to approximately 154 labor proceedings, representing contingencies in the total amount of R$103.1 million, for which provisions in the amount of R$9.9 million and judicial deposits in the amount of R$3.7 million have been made. Most of the labor proceedings relate to claims of non-payment of overtime alleged by employees and the recognition of employment relationship by employees from outsourced service providers.

Civil and Other Proceedings

As of December 31, 2012 Banco BTG Pactual was defendant to approximately 206 civil and other proceedings (including certain non-regulatory proceedings with governmental and other supervisory entities), representing estimated contingencies in the total amount of R$913.5 million, for which provisions in the amount of R$19.1 million and judicial deposits in the amount of approximately R$16.8 million have been made.

On April 13, 2012, in connection with an ongoing civil, non-criminal investigation in Italy related to certain trades in the securities of an Italian market issuer made by the BTG Pactual Group's controlling shareholder and chief executive officer, André Santos Esteves, in his personal capacity in 2007, Mr. Esteves was informed that an administrative finding was reached. The finding determined that Mr. Esteves misused privileged information (on a secondary basis, as provided under applicable Italian law) in connection with the trades in the securities of Cremonini S.p.A., which was then in negotiations with JBS S.A. regarding a partnership transaction. As a result, Mr. Esteves was fined €350,000 and suspended for a period of nine months from serving as a director or executive officer of a company regulated by the Italian Companies and Stock Exchange Commission (Commissione Nazionale per le Societá e La Borsa). In addition, his apparent profit from such trades was blocked. Mr. Esteves has filed an administrative appeal against such decision, which is currently under review. Based on the nature of the proceeding, this matter is not expected to result in any criminal liability to Mr. Esteves. We believe that this matter will not have any adverse effect on the BTG Pactual Group, including on Mr. Esteves' capacity to serve in his present role in any of the companies within the BTG Pactual Group. Mr. Esteves believes the allegations are without merit.

Banco PanAmericano is currently involved in a dispute with certain persons with respect to the amounts due on bank certificates of deposit, or CDBs, it issued to such persons between 2005 and 2008. The CDBs bore interest at rates significantly higher, and had longer maturity dates, than similar securities issued by other financial institutions during that period. Banco PanAmericano has commenced legal proceedings to challenge the enforceability of its obligation to pay the contractual interest rate due on such CDBs. Despite such challenge, as of December 31, 2012, Banco PanAmericano had provisions of R$701.5 million with respect to the principal and interest due on such CDBs. Banco PanAmericano also posted a bond of R$20.8 million in the form of Brazilian government securities with respect to certain of such CDBs which have already matured. In addition, Banco BTG Pactual is also involved with other proceedings involving Banco PanAmericano which, if determined unfavorably, would result in it being indirectly liable for certain obligations of previous affiliates of Banco PanAmericano in a total amount of R$800.0 million. Banco BTG Pactual has been advised by its external legal counsel that its chances of success are likely and, accordingly, has not recorded any provisions in relation to such proceedings. We believe that if Banco PanAmericano is successful in the legal proceedings described above, it will be positively affected. Conversely, we believe that if such legal proceedings are decided adversely to Banco PanAmericano, Banco BTG Pactual's financial condition and results of operations would not be materially and adversely affected.

Under the Brazilian constitution, any Brazilian has standing to institute an action for the purpose of "protecting the public interest" by seeking to annul an act pertaining to an entity in which the State participates. In April 2011, a Brazilian citizen filed a lawsuit (ação popular) against Banco BTG Pactual and certain members of the Brazilian government, Caixa Economica Federal (or Caixa) and PanAmericano seeking an injunction to prevent Banco BTG Pactual's 2011 acquisition of a co-controlling stake in Banco PanAmericano and PanAmericano's liquidation. The request for injunctive relief was denied, and the plaintiff filed a preliminary appeal. Banco BTG Pactual is currently awaiting a decision on such preliminary appeal, as well as a judgment on the merits at the lower court. Banco BTG Pactual has been advised by its external legal counsel that its chances of loss are remote and, accordingly, has not recorded any provisions.

Banco BTG Pactual is also a party, as of December 31, 2012, to a class action lawsuit filed in São Paulo by the local Public Prosecution Service claiming that Banco BTG Pactual and other banks are required to provide certain information about its clients to the Public Prosecution Services and the Federal Police, absent judicial authorization. We believe that the Public Prosecution Service's requests violate banking confidentiality laws. This lawsuit was dismissed, but the plaintiff has filed an appeal, which is currently pending. Banco BTG Pactual has been advised by its external legal counsel that its chances of success are possible and, accordingly, has not recorded any provisions.

As of December 31, 2012, Banco BTG Pactual was also a party as a potential creditor to approximately 22 civil proceedings totaling approximately R$127.0 million.

Regulatory Proceedings

Banco BTG Pactual is exposed to significant regulatory action and supervision, mainly from the Central Bank and the CVM. As a consequence, Banco BTG Pactual could face claims against it and investigations related to its business, including with regard to its investment recommendations and trading activities.

In 2008, the Central Bank notified Banco BTG Pactual that it had commenced an administrative proceeding against it and our principal shareholder. The administrative proceeding arises from certain day trade transactions carried out during October 2002 to February 2004 to benefit a foreign investor to Banco BTG Pactual's detriment. The potential fine is up to 5.0% of the value of the transactions, which would total approximately US$189.0 million. In July 2008, Banco BTG Pactual filed an administrative defense, and, on May 14, 2012, Banco BTG Pactual filed a petition to be acquitted of all allegations. Banco BTG Pactual continues to await a Central Bank ruling. We do not expect this proceeding to adversely affect Banco BTG Pactual.

MANAGEMENT

BTG Pactual is structured as two separate sub-groups of commonly owned entities: (i) Banco BTG Pactual and (ii) BTG Pactual Participations, which is the general partner of, and controls, BTGI. However, the two sub-groups are managed in a strategically unified manner for the benefit of the overall enterprise.

The address for Banco BTG Pactual serves as the business address for all members of the Senior Management Team, Banco BTG Pactual's Board of Directors, Banco BTG Pactual's Board of Executive Officers, BTG Pactual Participations' Board of Directors, and BTG Pactual Participations' Executive Officers. See "Description of Capital Stock."

There are no family relationships among the members of the Senior Management Team, Banco BTG Pactual's Board of Directors, Banco BTG Pactual's Executive Officers, BTG Pactual Participations' Board of Directors, and BTG Pactual Participations' Executive Officers.

Neither Banco BTG Pactual nor BTG Pactual Participations are aware of conflicts of interest between: (A) any duties owed to the Issuers by the members of the Senior Management Team, Banco BTG Pactual's Board of Directors, Banco BTG Pactual's Board of Executive Officers, BTG Pactual Participations' Board of Directors, and BTG Pactual Participations' Executive Officers; and (B) their respective private interests.

Senior Management Team

Below are summaries of the business experience and other biographical information of Mr. Esteves and our Top Seven Partners, who, jointly with the other members of our Senior Management Team, define our general business policies and guidelines, including our long-term strategies, and control and monitor our overall performance.

André Santos Esteves is our controlling shareholder. Mr. Esteves is the chief executive officer and chairman of the board of directors of Banco BTG Pactual and BTG Pactual Participations. Mr. Esteves joined Banco BTG Pactual in 1989, became a partner in 1993 and was appointed a managing partner in 2002. Mr. Esteves served as the chairman and chief executive officer of Banco BTG Pactual from 2006 to 2008. Mr. Esteves was appointed global head of the fixed income group at UBS in August 2007 and global head of the FICC group at UBS in October 2007. Mr. Esteves was a director of FEBRABAN from 2003 to 2007 and a member of the board of the Brazilian Mercantile & Futures Exchange, or BM&F, from 2002 to 2006. Mr. Esteves received his bachelor's degree in mathematics from the Federal University of Rio de Janeiro. In his capacity as a Participating Partner, Mr. Esteves owns, directly and indirectly, a 0.97% economic interest in each of Banco BTG Pactual and BTGI and a 1.35% voting-only interest in BTG Pactual Participations. For further information, please see, "Business—Civil and Other Proceedings."

Marcelo Kalim is the chief financial officer of Banco BTG Pactual and BTG Pactual Participations. In addition, Mr. Kalim is a member of the board of directors of Banco BTG Pactual and BTG Pactual Participations. Mr. Kalim joined Banco BTG Pactual in 1996 (and became a partner in 1998). Mr. Kalim served as chief investment officer of Banco BTG Pactual from 2006 to 2008, where he was responsible for investment decisions in the funds managed by Banco BTG Pactual. Mr. Kalim began his career at Banco BTG Pactual as a fixed-income trader and served as head fund manager and co-head of BTG Pactual Asset Management. Mr. Kalim received his bachelor's degree in economics from the University of São Paulo and his MBA from the Massachusetts Institute of Technology Sloan School of Management. In his capacity as a Participating Partner, Mr. Kalim owns, directly and indirectly, a 0.20% economic interest in each of Banco BTG Pactual and BTGI and a 0.27% voting-only interest in BTG Pactual Participations.

Roberto Balls Sallouti is the chief operating officer of Banco BTG Pactual and BTG Pactual Participations. In addition, Mr. Sallouti is a member of the board of directors of Banco BTG Pactual and BTG Pactual Participations. Mr. Sallouti joined Banco BTG Pactual in 1994 and became a partner in 1998. He also served as a managing director of Banco BTG Pactual from 2006 to 2008 and was the joint head of the emerging markets fixed income group and joint head of the Latin America FICC group at UBS AG. During his career at Banco BTG Pactual, Mr. Sallouti served as head of the international and emerging markets fixed income division from 2003 to 2006, and as joint head of Brazil local fixed income markets from 1999 to 2003. Mr. Sallouti received his bachelor's degree in economics, with concentrations in finance and marketing, from The Wharton School at the University of Pennsylvania. In his capacity as a Participating Partner, Mr. Sallouti owns, directly and indirectly, a 0.20% economic interest in each of Banco BTG Pactual and BTGI and a 0.27% voting-only interest in BTG Pactual Participations.

James Marcos de Oliveira is the co-head of the asset management unit of BTG Pactual. Mr. Oliveira joined Banco BTG Pactual in 1992 and became a partner in 1998. Mr. Oliveira was managing director from 2006 to 2008, where he was the joint head of the emerging markets division of the fixed income group and joint head of FICC Latin America. Mr. Oliveira was the head of the Brazil local markets division of the fixed income group from 2003 to 2006 and joint head of the Brazil local markets division of the fixed income group from 1998 to 2003. Mr. Oliveira holds a bachelor's degree in business administration from Fundação Getulio Vargas (FGV-SP) São Paulo Business School. In his capacity as a Participating Partner, Mr. Oliveira owns, directly and indirectly, a 0.20% economic interest in each of Banco BTG Pactual and BTGI and a 0.27% voting-only interest in BTG Pactual Participations.

Pérsio Arida is co-head of the asset management business unit of Banco BTG Pactual. In addition, Mr. Arida is a member of the board of directors of Banco BTG Pactual and BTG Pactual Participations. Prior to joining BTG Pactual in 2008, Mr. Arida served in the Brazilian government and worked in the private sector and in academia. While working for the Brazilian government, Mr. Arida served as president of the Central Bank in 1995 and president of the BNDES, the Brazilian development bank, from 1993 to 1994. Mr. Arida was also secretary of the ministry of planning in 1985 and deputy president of the Central Bank in 1986. In the private sector, Mr. Arida worked as a consultant to financial institutions from 1979 to 1984. From 1987 to 1993, Mr. Arida served as director of Brasil Warrant and as a board member of the Unibanco Group. Mr. Arida was a director of Opportunity Asset Management from 1996 to early 1999, and a board member of Itaú Bank from 2001 to early 2009. In academia, Mr. Arida was a professor of economics at the Catholic University of Rio de Janeiro and at the University of São Paulo. In addition, Mr. Arida was a researcher at the Institute for Advanced Study at Princeton University, a fellow at the Woodrow Wilson Center in Washington, D.C. and a senior research fellow at the Oxford Centre for Brazilian Studies at Oxford University. Mr. Arida has received numerous awards and has published several papers and edited books. Mr. Arida received his PhD in economics from the Massachusetts Institute of Technology and his bachelor's degree in economics from the University of São Paulo. Mr. Arida is not a Participating Partner.

Emmanuel Rose Hermann serves as the co-head of the equities division within our investment banking unit and executive officer of Banco BTG Pactual. Mr. Hermann joined Banco BTG Pactual in 1992 and became a partner in 1998. Mr. Hermann was a managing director from 2006 to 2008 at Banco BTG Pactual, where he served as head of the global emerging markets equity desk, as well as head of the Latin America equities derivatives and structured products desk. During his career at Banco BTG Pactual, Mr. Hermann served as head of the proprietary equity desk from 1998 to 2006 and as a portfolio manager from 1995 to 1998. Mr. Hermann received his bachelor's degree in economics from the Federal University of Rio de Janeiro. In his capacity as a Participating Partner, Mr. Hermann owns, directly and indirectly, a 0.16% economic interest in each of Banco BTG Pactual and BTGI and a 0.22% voting-only interest in BTG Pactual Participations.

Antonio Carlos Canto Porto Filho is an executive officer of Banco BTG Pactual. Prior to joining BTGI in October 2008, Mr. Filho served as vice chairman of Banco BTG Pactual from 2006 to 2008. Mr. Filho joined Banco BTG Pactual in 1997 as a partner and served as executive director of private banking and a member of its executive committee. Prior to 1997, Mr. Filho worked for 28 years at Banco de Crédito Nacional, where he held various positions including vice president for financial management, leasing, insurance, real estate, legal and marketing from 1988 to 1997, and financial director from 1979 to 1988. In his capacity as a Participating Partner, Mr. Filho owns, directly and indirectly, a 0.13% economic interest in each of of Banco BTG Pactual and BTGI and a 0.18% voting-only interest in BTG Pactual Participations.

Renato Monteiro dos Santos serves as the head of FICC and executive officer of Banco BTG Pactual. Mr. Santos joined Banco BTG Pactual in 1997 and became a partner in 2001. Mr. Santos served as head of the Brazil rates desk and head of FICC Latin America from 2006 to 2008. Mr. Santos began his career at Banco BTG Pactual in 1997 as a trader, serving as head of Latin America fixed income markets from 2004 to 2006. Mr. Santos received a bachelor's degree in business administration from FGV-SP and a bachelor's degree in economics from the University of São Paulo. In his capacity as a Participating Partner, Mr. Santos owns, directly and indirectly, a 0.07% economic interest in each of Banco BTG Pactual and BTGI and a 0.09% voting-only interest in BTG Pactual Participations.

Below are summaries of the business experience and other biographical information of the other members of our Senior Management Team. Each member of our Senior Management Team is a Partner.

John Huw Gwili Jenkins is a member of the board of directors of Banco BTG Pactual and BTG Pactual Participations. Prior to joining BTG Pactual in 2009, Mr. Jenkins worked at UBS AG from 1996 to 2008, where he held several positions, including chief executive officer, global head of equities, head of equities for the Americas and head of Asia-Pacific equities. Prior to joining UBS AG, Mr. Jenkins worked at BZW Investment Management from 1986 to 1996 and Hill Samuel in 1986. Mr. Jenkins has spent most of his career based in Asia and the United States. Mr. Jenkins received his bachelor's degree with honors in sociology and psychology from the University of Liverpool, his MBA from the London Business School and has recently participated in the Executives in Residence program at the London Business School. Mr. Jenkins is not a Participating Partner.

Rogério Pessoa Cavalcanti de Albuquerque serves as the co-head of the wealth management unit and executive officer of Banco BTG Pactual. Mr. Pessoa joined Banco BTG Pactual in 1998 and became a partner in 2004. Mr. Pessoa served as head of our wealth management unit from 2004 to 2009. Previously, Mr. Pessoa worked for Delta Bank as vice president of private banking and for Prudential Securities as a broker in the international client accounts division. Mr. Pessoa received his bachelor's degree in economics from the Catholic University of Rio de Janeiro and his MBA from the University of Illinois. In his capacity as a Participating Partner, Mr. Pessoa owns, directly and indirectly, a 0.03% economic interest in each of Banco BTG Pactual and BTGI and a 0.04% voting-only interest in BTG Pactual Participations.

Jonathan David Bisgaier serves as the general counsel and an executive officer of Banco BTG Pactual. Prior to joining BTG Pactual in December 2008, Mr. Bisgaier was a partner at Skadden, Arps, Slate, Meagher & Flom LLP, where he specialized in M&A, corporate finance and private equity transactions involving Latin American and multinational clients transacting business in Latin America. From 1997 to 2003, Mr. Bisgaier was an investment banker at Violy, Byorum & Partners, an investment bank focused on Latin America. Mr. Bisgaier also worked at Skadden from 1988 to 1996. Mr. Bisgaier was selected for inclusion in *Chambers Global: The World's Leading Lawyers for Business 2008* and *Chambers America: The World's Leading Lawyers for Business 2008*. Mr. Bisgaier received his JD from the New York University School of Law and his bachelor's degree from New York University College of Business and Public Administration. Mr. Bisgaier is not a Participating Partner.

Eduardo Henrique de Mello Motta Loyo serves as the chief economist and executive officer of Banco BTG Pactual. Mr. Loyo joined Banco BTG Pactual in 2007, where he served as managing director and chief economist for Latin America. From 2005 to 2007, Mr. Loyo was executive director of the IMF, elected by Brazil and eight other countries. Mr. Loyo was deputy president of the Central Bank from 2003 to 2005, and a voting member of the Central Bank's Committee on Monetary Policy (*Comitê de Política Monetária*), or COPOM. Since 2001, Mr. Loyo has been a professor of economics at the Catholic University of Rio de

Janeiro and was assistant professor of public policy at Harvard University from 1998 to 2003. Mr. Loyo also held visiting faculty positions at Columbia University in 2003 and INSEAD in 2002. Mr. Loyo serves as a director of the Institute for Economic Policy Studies - Casa das Graças, a think tank in Rio de Janeiro. Mr. Loyo received his PhD in economics from Princeton University. Mr. Loyo is not a Participating Partner.

Guilherme da Costa Paes serves as the co-head of the investment banking unit and executive officer of Banco BTG Pactual. Mr. Paes joined Banco BTG Pactual in 1992 and became a Partner in 1998. Mr. Paes headed the oil and infrastructure sectors within the corporate finance division, participating in M&A and capital markets transactions. Mr. Paes received his degree in business administration from Santa Úrsula University in Rio de Janeiro and his MBA from the Brazilian Institute of Capital Markets, or IBMEC, with a concentration in finance. In his capacity as a Participating Partner, Mr. Paes owns, directly and indirectly, a 0.07% economic interest in each of Banco BTG Pactual and BTGI and a 0.09% voting-only interest in BTG Pactual Participations.

André Fernandes Lopes Dias is the chief risk officer and an executive officer of Banco BTG Pactual. Mr. Fernandes joined Banco BTG Pactual in 1997 and, in 2004, assumed responsibility for the control of credit risk. In 2006, he became an executive director in charge of credit risk control at UBS AG, a position he held until 2009. Prior to joining Banco BTG Pactual, Mr. Fernandes worked as an auditor at KPMG. Mr. Fernandes received his business administration degree from the Catholic University of Rio de Janeiro. Mr. Fernandes is not a Participating Partner.

João Marcello Dantas Leite is head of finance and tax of BTG Pactual, an executive officer of Banco BTG Pactual and the investor relations officer of Banco BTG Pactual and BTG Pactual Participations. Mr. Dantas joined Banco BTG Pactual in 1993 as head of the fiscal department, and in 1997 he assumed the position of controller. Prior to joining Banco BTG Pactual, Mr. Dantas worked in tax consultancy at Arthur Andersen. Mr. Dantas is a member of the board of directors of ANBIMA. Mr. Dantas received his bachelor's degree in economics from the University Cândido Mendes. In his capacity as a Participating Partner, Mr. Dantas owns, directly and indirectly, a 0.03% economic interest in each of Banco BTG Pactual and BTGI and a 0.04% voting-only interest in BTG Pactual Participations.

José Octavio Mendes Vita serves as the co-head of the investment banking unit of Banco BTG Pactual. Mr. Vita joined Banco BTG Pactual in 1989 and became a partner in 1993. Mr. Vita headed the sugar and ethanol, food and beverages, agribusiness, mining, steel and pulp and paper sectors within the corporate finance division of Banco BTG Pactual, participating in M&A and capital markets transactions. Previously, Mr. Vita worked for Bankers Trust Co. of Brazil as a corporate finance analyst and also worked for Morgan Guaranty Trust Company of New York as a treasury assistant. Mr. Vita received his bachelor’s degree at FGV-SP in 1981 and his MBA from The Wharton School of the University of Pennsylvania. In his capacity as a Participating Partner, Mr. Vita owns, directly and indirectly, a 0.04% economic interest in each of Banco BTG Pactual and BTGI and a 0.05% voting-only interest in BTG Pactual Participations.

Carlos Daniel Rizzo da Fonseca is head of our merchant banking activities. Prior to joining BTG Pactual, Mr. Rizzo da Fonseca was a partner at Banco Fator from 1997 to 2005 within the M&A division. From 2006 to 2008, he served as head of M&A for the investment banking division at UBS Pactual. Earlier in his career, Mr. Rizzo da Fonseca worked at PricewaterhouseCoopers. Mr. Rizzo da Fonseca received his bachelor’s degree in business from Pontifícia Universidade Católica of São Paulo (PUC-SP). Mr. Rizzo de Fonseca is not a Participating Partner.

José Zitelmann serves as head of equities proprietary trading. Mr. Zitelmann joined BTG Pactual in 1998 in the corporate finance division, and a year later, moved to our asset management business unit. Mr. Zitelmann served as head of equities proprietary trading for Latin America and on the executive committee at UBS Pactual. Mr. Zitelmann received his degree in business management from the Business FGV-SP São Paulo Business School (*Escola de Administração de Empresas de São Paulo da Fundação Getúlio*

Vargas—EASP/FGV). In his capacity as a Participating Partner, Mr. Zitelmann owns, directly and indirectly, a 0.04% economic interest in each of Banco BTG Pactual and BTGI and a 0.06% voting-only interest in BTG Pactual Participations.

Banco BTG Pactual

Board of Directors

The board of directors of Banco BTG Pactual is responsible for, among other things, electing and removing the executive officers and supervising the other members of Banco BTG Pactual's management team.

The members of Banco BTG Pactual's board of directors are elected and removed at shareholders' meetings of Banco BTG Pactual, in accordance with the terms and conditions of the by-laws of Banco BTG Pactual, Brazilian Corporations Law, the Consortium Shareholders Agreement (see "Consortium Shareholders Agreement—Board Representation/Related Matters") and the Partner Brazil Shareholders Agreement (see "Our Partnership—Shareholder Agreements–Partner Brazil Shareholders Agreement"). Each such director is elected for a one-year term and may be re-elected. Under the by-laws of Banco BTG Pactual, the board of directors is composed of five to eleven members, one of whom is designated as chairman. In addition, a member of the board of executive officers is designated as investor relations officer.

Under Brazilian Corporations Law, the adoption of a cumulative voting process to elect board members may be required by the shareholders holding at least 10.0% of the voting capital of Banco BTG Pactual. Under such procedure, each voting share shall be granted a number of votes equal to the number of directors to be elected, and shareholders shall have the right to cumulate votes in a single candidate or distribute them among several candidates. In addition, minority shareholders whose interest in the voting shares represent a minimum of 15.0% of the Banco BTG Pactual's voting capital stock have the right to elect one director in a separate voting process. Moreover, minority shareholders whose interest in the Banco preferred shares representing at least 10.0% of the company's capital stock have the right to elect one member of the board of directors by a separate voting process. In addition, in case minority shareholders do not reach the 15.0% and 10.0% thresholds, they may combine their holdings in common and preferred shares so that they jointly hold at least 10.0% of the capital stock and, therefore, are able to elect one director in a separate voting process. As a result, minority shareholders may be entitled to elect up to two members of the board of directors by the separate voting process in addition to any additional members elected through the cumulative voting process. However, whenever the directors are elected by the cumulative voting process and the minority shareholders exercise their right to elect directors in a separate voting process, Brazilian Corporations Law allows holders (or group of holders bound by voting agreements) of more than 50% of the voting shares the right to elect the same number of directors elected by minority shareholders via the cumulative and separate voting processes, plus one.

The capital stock of Banco BTG Pactual consists of Banco common shares representing approximately 51.0% of the total capital stock of Banco BTG Pactual and Banco preferred shares representing approximately 49.0% of the total capital stock of Banco BTG Pactual. As of the date of this Prospectus, Banco BTG Pactual's board of directors is composed of ten members, four of whom are independent directors.

The table below shows the name and position of each member elected to the board of directors of Banco BTG Pactual as of the date of this Prospectus:

Name	Position	Election Date[1]	Date of First Election
André Santos Esteves	Chairman of the Board	April 2, 2012	December 12, 2010
Pérsio Arida	Director	April 2, 2012	December 9, 2010
Marcelo Kalim	Director	April 2, 2012	December 9, 2010

Roberto Balls Sallouti	Director	April 2, 2012	April 29, 2011
Cláudio Eugênio Stiller Galeazzi	Director	April 2, 2012	December 9, 2010
John Huw Gwili Jenkins	Director	April 2, 2012	April 29, 2011
John Joseph Oros	Director	April 2, 2012	April 29, 2011
William T. Royan	Director	August 31, 2012	August 31, 2012
Juan Carlos García Canizares	Director	January 3, 2013	January 3, 2013
Kenneth Stuart Courtis(2)	Director	April 30, 2013	April 30, 2013

(1) Refers to date of most recent election.
(2) Mr. Courtis has not yet officially assumed his position as director as such position is subject to confirmation of the Central Bank, which has not yet been obtained.

Although Roberto Balls Sallouti, John Huw Gwili Jenkins and John Joseph Oros were elected to the board of directors of Banco BTG Pactual on April 29, 2011, pursuant to Brazilian law, each director of a financial institution may only officially take office following approval of such person's service as a director by the Central Bank and the formal assumption of office by such person. As a result of such requirements, Roberto Balls Sallouti only officially assumed his position as a member of the board of directors of Banco BTG Pactual as of April 2, 2012, and John Huw Gwili Jenkins and John Joseph Oros only officially assumed their positions as of May 2, 2012. Prior to April 2, 2012, the members of the board of directors of Banco BTG Pactual were André Santos Esteves, Marcelo Kalim, Persio Arida, Claudio Eugenio Stiller Galeazzi, James Marcus Oliveira and Carlos Fonseca. On February 22, 2013, William T. Royan and Juan Carlos García Canizares officially assumed office.

Below is a summary of the business experience and other biographical information of Banco BTG Pactual's board of directors.

André Santos Esteves is the chairman of the board of directors of Banco BTG Pactual. For a summary of Mr. Esteves' business experience and other biographical information, see "—Senior Management Team" above.

Pérsio Arida is a member of the board of directors of Banco BTG Pactual. For a summary of Mr. Arida's business experience and other biographical information, see "—Senior Management Team" above.

Marcelo Kalim is a member of the board of directors of Banco BTG Pactual. For a summary of Mr. Kalim's business experience and other biographical information, see "—Senior Management Team" above.

Roberto Balls Sallouti is a member of the board of directors of Banco BTG Pactual. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Cláudio Eugênio Stiller Galeazzi is co-head of the merchant banking area of the principal investments business unit and member of the board of directors of Banco BTG Pactual. Prior to joining BTG Pactual in 2010, Mr. Galeazzi held positions in the management of several companies, including managing director of the Brazilian and Argentine subsidiaries of Drew Chemical Corp., president of Cesbra and John Sommers (a joint venture between British Petroleum and Brascan) and vice-president of British Petroleum Mineração in Brazil. He also worked in several corporate restructurings, including Artex, Mocoa, Vila Romana, Cecrisa, Lojas Americanas and CDB – Grupo Pão de Açucar. Mr. Galeazzi received his degree in accounting. Mr. Galeazzi is not a Participating Partner.

MANAGEMENT

John Huw Gwili Jenkins is a member of the board of directors of Banco BTG Pactual. For a summary of Mr. Jenkins's business experience and other biographical information, see "—Senior Management Team" above.

John Joseph Oros is a member of the board of directors of Banco BTG Pactual. Mr. Oros is a managing director of J.C. Flowers & Co. LLC, a private equity firm based in New York, which he joined in 2000. From 1980 to 2000, Mr. Oros was an investment banker in the financial institutions group of Goldman, Sachs & Co., where he became a general partner in 1986. Between 1978 and 1980, Mr. Oros worked for Merrill Lynch as manager of the finance and mortgage division. Mr. Oros also serves as a director and executive officer of various entities, including OneWest Bank, Saddle River Valley Bank and Flowers National Bank. Mr. Oros was appointed and served as Committee Chairman of the Federal Savings and Loan Advisory Council. Mr. Oros received his bachelor's degree in business management from the University of Wisconsin Business School. Mr. Oros is neither a Partner nor a Participating Partner.

William T. Royan was elected as a member of the board of directors of Banco BTG Pactual on August 31, 2012 but has not yet officially assumed such position. Mr. Royan is currently the head of investor relations of the Ontario Teachers' Pension Fund (OTTP). Prior to joining OTTP, Mr. Royan held several senior positions at Lehman Brothers in both its investment segment's merger group and equity strategy unit. Previously, he worked in the merger and acquisition groups of JP Morgan and RBC Dominion Securities. Mr. Royan has served as a member of the board of directors of several publicly and privately held companies. He currently serves as a member of the board of directors and chairman of the governance committee of TMX Group, which operates several stock and derivatives markets, including the Toronto Stock Exchange, and provides services relating to settlement, clearance and deposits. Mr. Royan received his bachelor's degree in commerce from the University of Calgary and his MBA from the University of Chicago. Mr. Royan is neither a Partner nor a Participating Partner.

Juan Carlos García Canizares is a member of the board of directors of Banco BTG Pactual. He is currently an officer at Quadrant Capital Advisors, where he is the head of the strategic investment group, responsible for capital allocation in the energy, infrastructure, financial markets and consumer goods areas worldwide. Previously, he was the vice-strategy and planning officer at the brewery Bavaria S.A., where he participated in international capital market transactions. He began his career in 1992 as a founding partner of Estrategias Corporativas S.A., an M&A and strategic consulting firm focused on Latin America, where he executed mergers, acquisitions and corporate restructuring in the region. Mr. Canizares has been a member of the Boards of Directors of other companies and non-governmental institutions in the U.S. and Latin America, and is currently a board member in Colombia (Bavaria, Valorem and Banco CorpBanca), Peru (Backus & Johnston) and in the U.S. (Genesis Foundation). Mr. Canizares completed an MBA program in business administration devised in a partnership between New York University, the London School of Economics and the Hautes Études Commerciales de Paris. He earned a bachelor's degree in industrial engineering from the Javeriana University, in Colombia. Mr. Canizares is neither a Partner nor a Participating Partner.

Kenneth Stuart Courtis is a founding partner of Themes Investment Management and Themes Investment Partners, an Asian-focused private equity investment fund, CEO of Starfort Holdings and managing partner of Next Capital Advisors. He was managing director of Goldman Sachs, vice chairman of Goldman Sachs Asia from 1999 to 2009 and managing director of Deutsche Bank and chief economist and investment strategist at Deutsche Bank Asia between 1987 and 1999. Mr. Courtis received an undergraduate degree from the Glendon College of Toronto and an M.A. in international relations from Sussex University and an MBA from INSEAD, as well as earning a Doctorate with honors and high distinction from the Paris Institute of Political Studies (l'Institut d'etudes politiques). He sits and/or has sat on the boards and advisory councils of a number of leading international firms, including Emerson Electric Co., Daimler AG, CapitaLand Limited, Noble Group Limited and China National Offshore Oil Corporation, as well on the board of private equity funds of General Enterprise Management Services. Mr. Courtis is neither a Partner nor a Participating Partner.

MANAGEMENT

Board of Executive Officers

Under the by-laws of Banco BTG Pactual, the board of executive officers of Banco BTG Pactual must be composed of two to sixteen members, one of whom is designated as the chief executive officer and others as executive officers. The executive officers of Banco BTG Pactual are its legal representatives, responsible for its day-to-day management of operations and for implementing the policies and general guidelines set by its board of directors.

In April 2012, Banco BTG Pactual approved a new version of its by-laws at its general shareholders' meeting. Under the April 2012 by-laws of Banco BTG Pactual, the board of executive officers will continue to be composed of two to sixteen members, who are not required to be shareholders of Banco BTG Pactual. In addition, one member of the board of executive officers will be designated as director of investor relations and up to seven members will be designated as senior vice presidents, with the remaining members as executive officers. The designation of the members of the board of executive officers of Banco BTG Pactual will occur at the time of election.

Under Brazilian Corporations Law, Banco BTG Pactual's executive officers must reside in Brazil, but do not need to be shareholders.

The executive officers of Banco BTG Pactual are elected by the board of directors for one-year terms and re-election is permitted. Under Brazilian Corporations Law, a maximum of one-third of the directors of Banco BTG Pactual may also serve as its executive officers. In addition, executive officers may be removed at any time pursuant to a decision taken by Banco BTG Pactual's board of directors.

The board of executive officers of Banco BTG Pactual is composed of thirteen members. The table below shows the names, position and date of election of the executive officers of Banco BTG Pactual as of the date of this Prospectus:

Name	Position	Election Date[1]	Date of First Election
André Santos Esteves	Chief Executive Officer	April 2, 2012	August 8, 1996
Antonio Carlos Canto Porto Filho	Senior Vice-President Officer	April 2, 2012	April 28, 2000
Eduardo Henrique de Mello Motta Loyo	Executive Officer	April 2, 2012	March 2, 2009
Emmanuel Rose Hermann	Senior Vice-President Officer	April 2, 2012	September 18, 2009
Guilherme da Costa Paes	Executive Officer	April 2, 2012	September 18, 2009
Jonathan David Bisgaier	Executive Officer	April 2, 2012	September 18, 2009
João Marcello Dantas Leite	Investor Relations Officer and Executive Officer	April 2, 2012	September 18, 2009
Marcelo Kalim	Senior Vice-President Officer	April 2, 2012	October 17, 2003
Oswaldo de Assis Filho	Executive Officer	April 2, 2012	November 17, 2008
Renato Monteiro dos Santos	Senior Vice-President Officer	April 2, 2012	November 17, 2008

Roberto Balls Sallouti	Executive Officer	April 2, 2012	March 1, 2005
Rogério Pessoa Cavalcanti de Albuquerque	Executive Officer	April 2, 2012	September 19, 2009
André Fernandes Lopes Dias	Executive Officer	April 2, 2012	October 28, 2011

(1) Refers to date of most recent election.

Below is a summary of the business experience and other biographical information of Banco BTG Pactual's board of executive officers.

André Santos Esteves is the chief executive officer of Banco BTG Pactual. For a summary of Mr. Esteves' business experience and other biographical information, see "—Senior Management Team" above.

Antonio Carlos Canto Porto Filho is a senior vice-president officer of Banco BTG Pactual. For a summary of Mr. Filho's business experience and other biographical information, see "—Senior Management Team" above.

Eduardo Henrique de Mello Motta Loyo is an executive officer of Banco BTG Pactual. For a summary of Mr. Loyo's business experience and other biographical information, see "—Senior Management Team" above.

Emmanuel Rose Hermann is a senior vice-president officer of Banco BTG Pactual. For a summary of Mr. Hermann's business experience and other biographical information, see "—Senior Management Team" above.

Guilherme da Costa Paes is an executive officer of Banco BTG Pactual. For a summary of Mr. Paes' business experience and other biographical information, see "—Senior Management Team" above.

Jonathan David Bisgaier is an executive officer of Banco BTG Pactual. For a summary of Mr. Bisgaier's business experience and other biographical information, see "—Senior Management Team" above.

João Marcello Dantas Leite is an executive officer of Banco BTG Pactual and also serves as Banco BTG Pactual's investor relations officer. For a summary of Mr. Dantas' business experience and other biographical information, see "—Senior Management Team" above.

Marcelo Kalim is a senior vice-president officer of Banco BTG Pactual. For a summary of Mr. Kalim's business experience and other biographical information, see "—Senior Management Team" above.

Oswaldo de Assis Filho is an executive officer of Banco BTG Pactual. Prior to this, Mr. Assis Filho was responsible for the commercial coverage of the insurance, banking and textile sectors of the investment banking business unit of BTG Pactual. Mr. Assis Filho has worked in financial institutions since 1976 and, before joining Banco BTG Pactual, he was vice-president of Banco de Crédito Nacional. He graduated from Instituto Tecnológico da Aeronáutica, where he received a bachelor's degree in electrical engineering in 1973. He also has a master degree in economics from Universidade de São Paulo. Mr. Assis Filho has been a partner of Banco BTG Pactual since 1997. In his capacity as a Participating Partner, Mr. Assis Filho owns, directly and indirectly, a 0.01% economic interest in each of Banco BTG Pactual and BTGI and a 0.01% voting-only interest in BTG Pactual Participations.

Renato Monteiro dos Santos is a senior vice-president officer of Banco BTG Pactual. For a summary of Mr. Santos' business experience and other biographical information, see "—Senior Management Team" above.

Roberto Balls Sallouti is an executive officer of Banco BTG Pactual. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Rogério Pessoa Cavalcanti de Albuquerque is an executive officer of Banco BTG Pactual. For a summary of Mr. Albuquerque's business experience and other biographical information, see "—Senior Management Team" above.

André Fernandes Lopes Dias is an executive officer of Banco BTG Pactual. For a summary of Mr. Fernandes' business experience and other biographical information, see "—Senior Management Team" above.

BTG Pactual Participations

Board of Directors

The board of directors of BTG Pactual Participations is responsible for, among other things, electing and removing the executive officers and supervising the other members of BTG Pactual Participations' management.

The board of directors of BTG Pactual Participations consists of between five and 11 members, as determined by the holder of the BPP Class C share and shall be elected for a term of one year with re-election being permitted. Pursuant to the bye-laws of BTG Pactual Participations, the members of the board of directors of BTG Pactual Participations are elected and may be removed at any time by the holder of the BPP Class C share. See "—Consortium Shareholders Agreement—Board Representation/Related Matters" regarding the right of the representative of the members of the Consortium to designate one director to the board of directors of BTG Pactual Participations.

As of the date of this Prospectus, the board of directors of BTG Pactual Participations will be composed of ten members, four of whom are independent directors.

The table below shows the names, position and date of election of each member elected to the board of directors of BTG Pactual Participations as of the date of this Prospectus:

Name	Position	Election Date[(1)]
André Santos Esteves	Chairman of the Board	April 2, 2012
Pérsio Arida	Director	April 2, 2012
Marcelo Kalim	Director	April 2, 2012
Roberto Balls Sallouti	Director	April 2, 2012
Cláudio Eugênio Stiller Galeazzi	Director	April 2, 2012
John Huw Gwili Jenkins	Director	April 2, 2012
John Joseph Oros	Director	April 2, 2012
William Thomas Royan	Director	August 31, 2012
Juan Carlos García Canizares	Director	January 3, 2013
Kenneth Stuart Courtis[(2)]	Director	April 30, 2013

(1) Refers to date of most recent election.
(2) Mr. Courtis has not yet officially assumed his position as director as such position is subject to confirmation of the Central Bank, which has not yet been obtained.

André Santos Esteves is the chairman of the board of directors of BTG Pactual Participations. For a summary of Mr. Esteves' business experience and other biographical information, see "—Senior Management Team" above.

MANAGEMENT

Pérsio Arida is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Arida's business experience and other biographical information, see "—Senior Management Team" above.

Marcelo Kalim is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Kalim's business experience and other biographical information, see "—Senior Management Team" above.

Roberto Balls Sallouti is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Cláudio Eugênio Stiller Galeazzi is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Galeazzi's business experience and other biographical information, see "—Banco BTG Pactual—Board of Directors" above.

John Huw Gwili Jenkins is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Jenkins's business experience and other biographical information, see "—Senior Management Team" above.

John Joseph Oros is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Oros' business experience and other biographical information, see "—Banco BTG Pactual—Board of Directors" above.

William T. Royan is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Royan's business experience and other biographical information, see "—Banco BTG Pactual—Board of Directors" above.

Juan Carlos García Canizares is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Canizares' business experience and other biographical information, see "—Banco BTG Pactual—Board of Directors" above.

Kenneth Stuart Courtis is a member of the board of directors of BTG Pactual Participations. For a summary of Mr. Courtis' business experience and other biographical information, see "—Banco BTG Pactual—Board of Directors" above.

Executive *Officers*

The board of directors of BTG Pactual Participations may appoint such officers as it may determine. The officers have such powers and perform such duties in the management, business and affairs of BTG Pactual Participations as may be delegated to them by BTG Pactual Participations' board of directors from time to time.

The table below shows the names, position and date of election of the executive officers of BTG Pactual Participations as of the date of this Prospectus:

Name	Position	Election Date
André Santos Esteves	Chief Executive Officer	March 29, 2010(1)
Marcelo Kalim	Chief Financial Officer	March 29, 2010(1)
Roberto Balls Sallouti	Chief Operating Officer	March 29, 2010(1)
João Marcello Dantas Leite(2)	Investor Relations Officer	March 29, 2012(2)

(1) By resolution of its board of directors of April 16, 2012, BTG Pactual Participations ratified the election of Mr. Esteves, Mr. Kalim and Mr. Sallouti on March 29, 2010, which was the initial date of election of each such executive officer to their respective positions.

(2) In addition to being elected as investor relations officer of BTG Pactual Participations, Mr. Dantas was also appointed as legal representative of BTG Pactual Participations in Brazil on March 29, 2012, which was the initial date of election of Mr. Dantas to each position.

André Santos Esteves is the chief executive officer of BTG Pactual Participations. For a summary of Mr. Esteves' business experience and other biographical information, see "—Senior Management Team" above.

Marcelo Kalim is the chief financial officer of BTG Pactual Participations. For a summary of Mr. Kalim's business experience and other biographical information, see "—Senior Management Team" above.

Roberto Balls Sallouti is the chief operating officer of BTG Pactual Participations. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

João Marcello Dantas Leite is the investor relations officer of BTG Pactual Participations. For a summary of Mr. Leite's business experience and other biographical information, see "—Senior Management Team" above.

Partnership Equity

We operate as a partnership, currently with 184 Partners, who are also executives in our group. As of the date of this Prospectus, the Partners own approximately 76.4% of our equity, and approximately 71.9% of our equity is part of our partnership, and we refer to such equity as “Partnership Equity.”

Mr. André Santos Esteves and each of the Top Seven Partners (including through their family members or through trusts or other entities established for their benefit or the benefit of their family members) own Partnership Equity in the percentages as set forth in the following table:

Name	% of Partnership Equity	Economic % in Banco BTG Pactual & BTGI Represented by Partnership Equity
André Santos Esteves	28.29%	20.34%
Marcelo Kalim	5.62%	4.04%
Roberto Balls Sallouti	5.62%	4.04%
James Marcos de Oliveira	5.47%	3.93%
Persio Arida	4.29%	3.08%
Emmanuel Rose Hermann	3.41%	2.45%
Antonio Carlos Canto Porto Filho	3.51%	2.52%
Renato Monteiro dos Santos	2.46%	1.77%
All other Partners as a group (176 individuals)	41.33%	29.72%

For further information, see "Principal Shareholders."

Compensation

General

In 2012, Banco BTG Pactual paid the aggregate gross amount of: (i) R$261,332.00 to its Board of Directors, (ii) R$86,806,765.21 to its Board of Executive Officers, and (iii) R$295,000.00 to the members of its Audit Committee. The members of Banco BTG Pactual’s Compensation Committee do not receive compensation.

BTG Pactual Participations paid the aggregate gross amount of US$125,000.00 to its Board of Directors.

Our home countries do not require us to disclose individual compensation paid to our directors and officers and we do not make such disclosures.

MANAGEMENT

BTG Pactual Participations does not have audit or compensation committees.

In general, Mr. Esteves, as our controlling shareholder, is able to determine the compensation of our Senior Management Team. However, the determination of the total aggregate amount of Bonuses, as well as the determination of compensation for Mr. Esteves and our Top Seven Partners, and for any BTG Pactual personnel that receives annual compensation of greater than US$1.0 million, is subject to the veto of the Top Seven Partners as a Veto Matter. See "Our Partnership—Shareholders Agreements—BTG GP Shareholders Agreement."

With respect to any service contracts providing for benefits upon termination of employment of our senior management, please see, "Withdrawal Agreements," and "Our Partnership."

Under Brazilian law, the shareholders of Banco BTG Pactual are responsible for establishing the aggregate amount of compensation that may be paid to executive officers and directors of Banco BTG Pactual. The board of directors of Banco BTG Pactual in turn allocates such aggregate amount among the directors and executive officers of Banco BTG Pactual.

Compensation Committee

On November 25, 2010, the CMN issued Resolution No. 3,921, which established new rules relating to the compensation of directors and officers of financial institutions and other institutions authorized to operate by the Central Bank. The compensation of directors and officers may be fixed or variable, and should be in any case compatible with the financial institution's risk management policies. Variable compensation may be based on specific criteria set forth in Resolution No. 3,921. At least 50.0% of variable compensation must be paid in stock or stock-based instruments and at least 40.0% of variable compensation must be deferred for future payment by at least three years. These new rules took effect on January 1, 2012. Such committee must follow the requirements set out in Resolution No. 3,921. The compensation committee is composed of Persio Arida, Marcelo Kalim, Roberto Balls Sallouti, and Renata Gomes Santiago Broenn.

In April 2012, Banco BTG Pactual approved a new version of its by-laws at its general shareholders' meeting. Under the April 2012 by-laws of Banco BTG Pactual, and pursuant to the requirements of Resolution No. 3,921, Banco BTG Pactual will create a compensation committee specifically responsible for the compensation of key executives. The committee will consist of three to six members elected by the board of directors, all of whom will be members of Banco BTG Pactual's board of directors, except for one who must be a manager.

Our compensation committee's principal functions will be (i) approval of the granting of stock options, (ii) discussion and analysis of our existing compensation models and (iii) evaluation and approval of the compensation packages proposed by the chief executive officer for executive officers of Banco BTG Pactual, including the fixed and variable compensation components, benefits and long-term incentive compensation.

In addition, the compensation committee shall evaluate the impact of CMN Resolution No. 3,921 and propose measures in order to ensure our compliance with such rules.

Committees

Fiscal Council

Under Brazilian Corporations Law, a company may form a fiscal council to operate as a corporate body independent of its management and its independent auditors. A fiscal council may be either permanent or non-permanent. A non-permanent fiscal council is formed at the request of shareholders that represent at least 10.0% of the voting shares or 5.0% of the non-voting shares. Such request may be made at any shareholders' meeting. Banco BTG Pactual does not currently have a fiscal council and has, therefore, not elected any fiscal council members. When formed, the fiscal council will be non-permanent pursuant to our by-laws and composed of a minimum of three and a maximum of five members and their respective alternates, according to Brazilian Corporations Law.

The primary responsibilities of a fiscal council are monitoring management activities, reviewing the company's financial statements and reporting its findings to the shareholders. Under Brazilian Corporations Law, Banco BTG Pactual would be required to pay fiscal council members, as compensation, a minimum of 10.0% of the average annual amount paid to Banco BTG Pactual's executive officers.

Under Brazilian Corporations Law, the fiscal council may not include members that are (i) on the board of directors of Banco BTG Pactual, (ii) on the board of executive officers of Banco BTG Pactual, (iii) employed by Banco BTG Pactual, (iv) employed by a subsidiary or company under common control with Banco BTG Pactual or (v) spouses or close family members of any member of the board of directors or board of executive officers of Banco BTG Pactual.

Audit Committee

On May 27, 2004, the CMN issued Resolution No. 3,198, as amended, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as to clearing houses and clearing and custody service providers. Resolution No. 3,198 requires financial institutions holding a reference shareholders' equity or managing third parties' wealth in amounts equal to or greater than R$1,000,000,000, among other entities, to create a corporate body designated as an audit committee. The audit committee of Banco BTG Pactual is composed of three to six members elected by the board of directors of Banco BTG Pactual. The audit committee will be responsible for setting the annual remuneration of directors of Banco BTG Pactual. The audit committee is composed of Alvir Hoffmann, John Joseph Oros and William T. Royan.

In general terms, the audit committee's duties are to take certain measures and to perform specific functions in order to ensure compliance of the relevant financial institution with the applicable accounting regulations.

OUR PARTNERSHIP

Our Partnership

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

Description of Partnership Model

Partners have been admitted to and left our partnership by purchasing and selling equity interests in BTGI, Banco BTG Pactual and BTG Pactual Holding. As described below, the partnership has the right to purchase all or part of any Partner's Partnership Equity at any time and for any reason, without the consent of the affected Partner. In addition, any Partner leaving his or her full time employment at BTG Pactual has the right to sell all of its Partnership Equity to certain entities that are wholly-owned by the Partners but may not sell to any other third party except as described below. These transactions are effected at the book value of such interests at the time of the relevant transaction.

The purchase and sale of Partnership Equity occurs in a number of circumstances. First, from time to time, and no less frequently than annually, we conduct a review of the performance of Partners and employees in our organization and determine to reallocate the Partnership Equity among our Partners and to promote certain high performing employees, who previously did not own Partnership Equity, to Partner status, simultaneously reducing the Partnership Equity held by certain other Partners. These reallocations are referred to herein as Reallocation Transfers. Similarly, from time to time, individuals may be admitted as new Partners in connection with the commencement of their activities as executives within BTG Pactual. These reallocations and decisions to admit new Partners are done on a meritocratic basis, following discussions among the Senior Management Team, in an effort to reward individuals who are determined to be making significant contribution to BTG Pactual and who are also perceived to share our partnership culture. In addition, in the past the partnership has, in each case, exercised its right to purchase at book value all of the Partnership Equity held by any Partner when the full time employment of such Partner with BTG Pactual was terminated, regardless of the reason for such termination.

The entities utilized as the purchaser of the Partnership Equity transferred in the circumstances described above are BTG Pactual Holding (with respect to the Partnership Equity that consists of shares of Banco BTG Pactual and BTG Pactual Holding) and the Merchant Banking Partnership (with respect to the Partnership Equity that consists of BTGI limited partnership interests). The purchasing entities are wholly-owned by our Partners. Partners entering the partnership or increasing their interest through the allocation and purchase of new interests can receive financing for such purchases from BTGI to the extent they did not have the resources available to effect such purchases. See "Partnership Loan Transactions."

Partnership Model Post Initial Public Offering

Our partnership model remained unchanged as a result of our initial public offering as well as the December 2010 transaction in which the members of the Consortium and the Participating Partners invested a total of US$1.8 billion (R$3.0 billion) in BTG Pactual. In order to ensure that the interests of our Partners and our public shareholders are aligned, and to perpetuate the model that we believe is the key to our success, we have implemented several concrete steps to maintain our partnership model. These mechanisms result in the economic burden of incentivizing our most important executives (other than to the extent of costs relating to salaries, Bonuses and the cost of BTGI providing financing to Partners who purchase Partnership Equity) being borne by our Partners (through future dilution), rather than being shared with the Unit holders. We believe that the continuation of our partnership model following our initial public offering distinguishes BTG Pactual significantly from other investment banking and asset management firms that have consummated initial public offerings both in Brazil and the international markets, because the typical model implemented in these other cases allowed virtually all of the equity held in the former partnership to vest and become saleable in the market at prevailing market prices (rather than book value) within a relatively short time following the completion of such initial public offering.

Continuation of Purchase/Sale Right

We will continue our practice of having the right to cause our current and future Partners to sell all or a portion of their Partnership Equity (at any time and for any reason) at the book value of such interests (unless the market price at such time is less than book value, in which case the sale will be effected at such lower price), despite the fact that following our initial public offering the value of such interests implied by the trading price of the Units in the market may be substantially in excess of such book value. This arrangement will allow us to continue the practice of reallocating Partnership Equity among Partners and to new individuals who become Partners on a meritocratic basis which we believe substantially enhances our ability to attract and retain talented executives. In addition, any Partner leaving his or her full time employment at BTG Pactual will have the right to sell all of such Partner’s Partnership Equity to the entities (and only to such entities) wholly-owned by the Partners as described above. These purchase and sale transactions will be effected at the book value of such interests at the time of the transaction in question (unless the market price of the Units at such time is less than book value, in which case the transaction will be effected at such lower price). Certain of the individuals who purchase Partnership Equity may require loans to purchase such equity interests to the extent they do not have the resources available to effect such purchases. BTGI may make loans to such individuals on terms similar to those described under "Partnership Loan Transactions."

Restrictions on Sales of Partnership Equity

The Partnership Equity is subject to substantial transfer restrictions. These restrictions are primarily designed to maintain our partnership by preventing Partners from selling their Partnership Equity other than as described above with respect to sales among Partners (through BTG Pactual Holding and the Merchant Banking Partnership), subject to certain limited exceptions described below. The Partnership Equity represents, directly or indirectly, approximately 71.9% of the economic interest in Banco BTG Pactual (consisting of approximately 81.7% of the Banco common shares and approximately 61.6% of the Banco preferred shares), and approximately 71.9% of the BTGI limited partnership interests, in each case, issued and outstanding. The Partnership Equity does not include, and the transfer restrictions described in this section do not apply to, our equity securities purchased by the Participating Partners at the same time and on the same terms and conditions as the members of the Consortium or the 9,000,000 Brazilian Units acquired by BTG Pactual Holding in our initial public offering. Such transfer restrictions will also not apply to any of our Units that may be purchased in the market or from third parties who are not Partners or affiliates of Partners.

The Partnership Equity may not, directly or indirectly, be transferred or otherwise sold by any Partner, except for "Permitted Partner Transfers" which are limited to transfers:

- to certain related parties that are permitted transferees (as defined below) of the transferring Partner;
- pursuant to Reallocation Transfers as described above;
- on a pro rata basis by the Partners to a "Strategic Investor" (as defined below), provided that any such transfer is subject to the approval of our controlling shareholder;

- in connection with a "Change of Control" (as defined below), including pursuant to a mandatory tender offer initiated by the person or group that is acquiring control of us in connection therewith (see "Consortium Shareholders Agreement—Tag-Along Rights" and "Description of Capital Stock—BTG Pactual Participations—Mandatory Tender Offer"), provided that any such Change of Control will require the approval of our controlling shareholder;
- to a lender in connection with the foreclosure by such lender on a loan that created a lien on such Partnership Equity, provided that such transaction has been approved by our controlling shareholder; and
- pursuant to the Partner Withdrawal Agreement to the extent necessary to facilitate any of the foregoing permitted transfers (see "Withdrawal Agreements").

Given our belief that the key to our success is our partnership model, we have determined to implement the continuation of the purchase/sale right and restrictions on sales of Partnership Equity described above, which are designed to preserve our partnership. We currently intend to keep these provisions in place with respect to all of the Partnership Equity for the foreseeable future, and are aware of no conditions that would cause us to believe that there is any likelihood that we will modify such provisions.

However, from time to time we consider the specific provisions of our partnership and believe it is important to retain the flexibility to implement changes that we believe to be in the best interests of our business. Accordingly, it is possible, although currently not anticipated or even considered likely, that our controlling shareholder may determine to modify such provisions at some future date. In the event we determine to modify such provisions, we anticipate that a reasonable time in advance of making such change effective, we will notify the market that the rules regarding the restrictions on Partnership Equity described herein will change.

For purposes of the foregoing:

- "Change of Control" means a transaction or series of related transactions (other than Reallocation Transfers, see "Our Partnership") pursuant to which our current or future Partners (including any entity that is wholly-owned by such Partners as a group) dispose of or sell, whether directly or indirectly, more than 50% of the Banco common shares to any person or group of persons that is or are not prior to the time of such transaction or the beginning of the series of related transaction, and will not in connection with such transaction or series of related transaction, become, employees, officers, consultants, Partners or other individuals that provide similar full-time services to BTG Pactual;
- "Permitted Transferee" of a Partner means (i) any spouse (current or former), sibling, lineal descendants, ancestors, heirs, testamentary trustees or legatees of such Partner or of any spouse of such Partner, (ii) any entity that is controlled and wholly-owned by such Partner or any person described in clause (i) above, for so long as it remains such or (iii) any trust (including a charitable remainder trust) or similar arrangement of which such Partner (or any distributee of such trust if such distributee is a person described in clause (i) above) is the primary beneficiary or has an interest; and
- "Strategic Investor" means any *bona fide* third party investor that is unaffiliated with BTG Pactual if BTG Pactual Holding and BTG GP jointly and reasonably determine in good faith that the inclusion of such investor as a holder of our equity securities can reasonably be expected to enhance the earnings, customer base, business reputation, distribution network or prospects of, or products offered by, BTG Pactual.

Partner Non-Competition Agreements

Each of the members of the Senior Management Team have entered into restrictive covenant agreements and for a period of 12 months following the date such member of the Senior Management Team is no longer providing full-time services to, or acting in a similar capacity with respect to, BTG Pactual, such member of the Senior Management Team has agreed to the following restrictions, among other customary restrictions (including those relating to treatment of confidential information and non-disparagement), any of which may be waived by us at any time:

- *Non-Competition:* Such member of the Senior Management Team may not, directly or indirectly, (i) own any equity or debt interests with negative control in any company that engages in the lines of business that are competitive with the business conducted by BTG Pactual in the geographic areas in which BTG Pactual operates as of the relevant time (a "competitive enterprise"), other than certain acquisitions of capital stock of publicly traded competitive enterprises or (ii) perform services for a competitive enterprise, to the extent such service is similar or substantially related to any activity such member of the Senior Management Team performed (or had direct or indirect managerial or supervisory responsibility) at BTG Pactual or which calls for similar specialized knowledge or skill as those used by such member of the Senior Management Team in his activities with BTG Pactual during the one-year period prior to his departure from BTG Pactual;
- *Non-Solicitation of Employees*: Such member of the Senior Management Team may not, directly or indirectly (including on behalf of or for the benefit of any competitive enterprise) (i) hire, or assist in the hiring of, any employee of BTG Pactual or (ii) encourage any employee of BTG Pactual to terminate his or her employment with BTG Pactual, including by soliciting any such employee, subject to certain customary exceptions; and
- *Non-Solicitation of Clients*: Such member of the Senior Management Team may not, directly or indirectly (including on behalf of or for the benefit of any competitive enterprise) (i) solicit any business from any active or potential clients of BTG Pactual with which such member of the Senior Management Team had contact or with respect to which the member had confidential information, in each case, prior to such member of the Senior Management Team's departure from BTG Pactual or (ii) request, recommend or encourage any client of BTG Pactual to reduce or terminate any business that such client engages with BTG Pactual.

Shareholders Agreements

Partner Brazil Shareholders Agreement

The Partners, Banco BTG Pactual and BTG Pactual Holding are parties to a shareholders agreement, or the Partner Brazil Shareholders Agreement, which governs the relationship among the Partners with respect to their ownership of the shares of BTG Pactual Holding, and the manner in which the Partners exercise control of BTG Pactual Holding and, indirectly, Banco BTG Pactual. The Partner Brazil Shareholders Agreement does not apply to the Partners in their capacity as Participating Partners in respect of the Banco common shares and Banco Series A preferred shares acquired by the Participating Partners on the same terms as the members of the Consortium in December 2010 or otherwise in respect of any shares of Banco BTG Pactual purchased by Partners in the market following our initial public offering.

Control of Banco BTG Pactual

Except as set forth below, the Partner Brazil Shareholders Agreement provides that prior to the time André Santos Esteves ceases to be engaged on a full time basis as an executive officer of Banco BTG Pactual, referred to herein as a Termination Event, Mr. Esteves will generally control the management and direct the actions of Banco BTG Pactual and its subsidiaries (including investment vehicles in which Banco BTG Pactual owns a majority of the economic interests) (such entities being collectively referred to herein as the

"Banco entities"), to the extent applicable through his ownership of a majority of the voting interests of BTG Pactual Holding, which directly owns a majority of the Banco common shares. Following a Termination Event and provided that requisite approvals are obtained from the Central Bank, control of the management of the Banco entities will be exercised by the Top Seven Partners that collectively hold a majority of the voting interests of BTG Pactual Holding. A Termination Event will also occur if Mr. Esteves transfers any of his voting interests in BTG Pactual Holding without the prior consent of three of the Top Seven Partners.

Board of Directors

BTG Pactual Holding is managed by a board of directors, which, prior to a Termination Event, will consist of three members, two of which are elected and removed by Mr. Esteves and one of which is elected and removed by a majority of the Top Seven Partners. Following a Termination Event, the board of directors of BTG Pactual Holding will consist of seven members, with each Top Seven Partner being entitled to elect and remove one such member.

The Partner Brazil Shareholders Agreement provides that the members of the board of directors of Banco BTG Pactual, other than any director appointed by the members of the Consortium or nominated by Unit holders, will be appointed and removed by BTG Pactual Holding, as the holder of the majority of the outstanding Banco common shares (any such director, referred to as a Partner director), and shall act at the direction of Mr. Esteves, prior to the occurrence of a Termination Event, or the majority of the Top Seven Partners, following a Termination Event.

Preliminary Meetings; Voting Agreement

Two days prior to any shareholders or board of directors meeting (or board of executive officers meeting, to the extent applicable) of any Banco entity, Mr. Esteves and the Top Seven Partners will hold a preliminary meeting to determine whether to approve, and the manner in which to direct, the actions being considered at such board of directors or shareholders meeting. Prior to a Termination Event, Mr. Esteves will control the determination of any such preliminary meeting, except that certain extraordinary actions to be taken by the Banco entities (which are generally analogous to the BPP Class C approval matters (see "Description of Capital Stock—BTG Pactual Participations—Voting" and certain other activities that relate to the structure and governance of our partnership) also require the approval of three of the seven Top Seven Partners. If any Top Seven Partner is absent from such preliminary meeting, Mr. Esteves is entitled to approve the matter on behalf of the absent Top Seven Partner. Following a Termination Event, the Top Seven Partners holding a majority of the voting interests of BTG Pactual Holding will control the determination of all preliminary meetings.

The Partner Brazil Shareholders Agreement provides that if a matter is not approved at a preliminary meeting in accordance with the foregoing, neither the Banco entity nor any Partner directors or officers of such Banco entity may take any action with respect to such non-approved matter, and the Partners, BTG Pactual Holding and the Partner directors are obligated to vote against the approval of any such non-approved matter at any shareholders meeting or board of directors meeting (or board of officers meeting, to the extent applicable) of the relevant Banco entity, as applicable. If, on the other hand, the matter that was the object of such preliminary meeting was approved, the Partners, BTG Pactual Holding and the Partner directors, as applicable, are required to act to ensure that the matter is approved at the relevant shareholders meeting or board of directors meeting (or board of officers meeting, to the extent applicable) of the relevant Banco entity, as applicable. All of the Partners and BTG Pactual Holding have granted a power of attorney to Mr. Esteves (prior to a Termination Event) or the Top Seven Partners (following a Termination Event) to ensure that all of the equity securities of BTG Pactual Holding held by such Partners and all of the equity securities of Banco BTG Pactual held by BTG Pactual Holding are voted in accordance with the decisions reached at any such preliminary meeting.

OUR PARTNERSHIP

Ownership of Banco Common Shares by BTG Pactual Holding

The Partner Brazil Shareholders Agreement provides that if Banco BTG Pactual issues any Banco common shares and Banco preferred shares (other than a pro rata issuance to all shareholders), BTG Pactual Holding will exercise its right to convert a certain number of Banco Series B preferred shares into Banco common shares. Such conversion is necessary so that (i) BTG Pactual Holding maintains control of Banco BTG Pactual as required by applicable Brazilian laws and (ii) the number of Banco common shares continues to be no less than 50% of the total number of Banco common shares and Banco preferred shares issued and outstanding at any given time.

Units

The Partner Brazil Shareholders Agreement provides that any transfer by the Partners of Banco common shares must be made with corresponding Banco preferred shares (at the ratio of one-third Banco common shares to two-thirds Banco preferred shares) and (i) prior to the consummation of the transactions contemplated by the Withdrawal Agreements, with corresponding BTGI limited partnership interests or (ii) following the consummation of the transactions contemplated by the Withdrawal Agreements, with corresponding BPP Class A shares and BPP Class B shares (at the ratio of one-third BPP Class A shares to two-thirds BPP Class B shares).

BTG GP Shareholders Agreement

BTGI is controlled by its general partner, BTG Pactual Participations. BTG Pactual Participations is controlled by BTG GP, the holder of the BPP Class C share. BTG GP, the holder of the BPP Class C share, is party to a shareholders' agreement with its shareholders, André Santos Esteves and BTG Partnerco, which governs the manner in which BTG GP exercises its direct control of BTG Pactual Participations and indirect control of BTGI. The share capital of BTG GP consists of one class of common shares, the majority of which are owned by Mr. Esteves and the remainder of which are owned by BTG Partnerco (and indirectly by the Top Seven Partners).

The shareholders' agreement provides that BTG GP may not conduct any business or engage in any activities of any nature, including incurring indebtedness or liabilities, other than owning the BPP Class C share and providing its consent and approval with respect to the BPP Class C Approval Matters (see "Description of Capital Stock—BTG Pactual Participations—Voting"), or otherwise directing the actions taken by BTG Pactual Participations (or, indirectly, BTGI), and taking actions in connection with the foregoing.

BTG GP is managed by a board of directors, which consists of three members, two of which are elected and removed by Mr. Esteves and one of which is elected and removed by BTG Partnerco. Although the board of directors of BTG GP is generally responsible for the management of the company, the shareholders' agreement provides that BTG GP must provide ten days prior notice to BTG Partnerco prior to taking any action, or permitting BTG Pactual Participations to take any action or permitting BTG Pactual Participations to cause BTGI (including any investment vehicle in which BTGI owns a majority of the economic interest) to take, as applicable, (i) any action with respect to a BPP Class C Approval Matter (see "Description of Capital Stock—BTG Pactual Participations—Voting") or (ii) a limited number of other actions that relate to significant matters involving the structure and governance of our partnership, such actions collectively referred to as the "Veto Matters." During such ten-day period, BTG Partnerco has the right to veto any Veto Matter upon the determination of five of its seven shareholders (the Top Seven Partners), and in such case BTG GP is not permitted to take any action, or permit BTG Pactual Participations to take any action, with respect to such Veto Matter. BTG Partnerco may also waive its right to veto any such Veto Matter upon the approval of three of its seven shareholders (the Top Seven Partners).

The BTG GP shareholders' agreement provides that Mr. Esteves is required to transfer his shares of BTG GP to BTG Partnerco for nominal consideration if he ceases to be engaged on a full time basis as an executive officer of Banco BTG Pactual, such that following such transfer BTG GP will be wholly-owned by BTG Partnerco and, indirectly, by the Top Seven Partners. At such time (i) the BTG GP shareholders' agreement will terminate, (ii) BTG Partnerco will be entitled to appoint and remove all directors of BTG GP and (iii) any Veto Matters will be subject to the affirmative approval of four of the Top Seven Partners.

If Mr. Esteves transfers the shares of BTG GP to any person (other than a required transfer to BTG Partnerco as described above), subject to the approval above, such transfer must be for nominal consideration or comply with the premium sharing principle. BTG Partnerco is not permitted to transfer its shares of BTG GP without the approval of Mr. Esteves, and such approved transfer must be for nominal consideration or comply with the premium sharing principle. The BTG GP shareholders' agreement further provides that any approved transfer of the BPP Class C share by BTG GP or of the BTGI general partnership interest by BTG Pactual Participations must be for nominal consideration or comply with the premium sharing principle. See "BTGI Partnership Agreement—Transfer of General Partnership Interest-Premium Sharing Principle" for a description of the "premium sharing principle."

BTG Partnerco Shareholders Agreement

BTG Partnerco is party to a shareholders' agreement with its shareholders (the Top Seven Partners). The shareholders' agreement governs the relationship among the Top Seven Partners with respect to BTG Partnerco and its role in the governance of BTG GP.

The share capital of BTG Partnerco consists of one class of common shares, which is held in equal proportions by the Top Seven Partners. The shareholders' agreement provides that if a BTG Partnerco shareholder no longer qualifies as a Top Seven Partner such shareholder must transfer its shares of BTG Partnerco for nominal value to the incoming Top Seven Partner. Other than as set forth in the preceding sentence, or for a transfer of BTG Partnerco shares from a Top Seven Partner to an entity wholly-owned by such Top Seven Partner, the shares of BTG Partnerco may not be transferred. Any such transfer must be for nominal value or otherwise comply with the premium sharing principle.

The shareholders' agreement of BTG Partnerco provides that BTG Partnerco may not conduct any business or engage in any activities of any nature, including incurring indebtedness or liabilities, other than owning shares, and participating in the management, of BTG GP.

CONSORTIUM SHAREHOLDERS AGREEMENT

Banco BTG Pactual, BTGI, BTG Pactual Participations and BTG Bermuda Holdco have entered into a shareholders agreement with the members of the Consortium, the Participating Partners, BTG Pactual Holding, the Partners and certain other parties, referred to herein as the Consortium Shareholders Agreement. The Consortium Shareholders Agreement provides the members of the Consortium with certain rights with respect to the designation of a nominee to serve on the board of directors of Banco BTG Pactual and BTG Pactual Participations, granted registration rights to the holders of the Units immediately prior to our initial public offering, and placed certain transfer restrictions on our equity securities that were outstanding immediately prior to our initial public offering.

Board Representation/Related Matters

The Consortium Shareholders Agreement provides that the board of directors of Banco BTG Pactual and BTG Pactual Participations, referred to herein as the Issuers, shall consist of between five and eleven directors, as determined by BTG Pactual Holding (with respect to the size of the board of directors of Banco BTG Pactual) or BTG GP (with respect to the size of the board of directors of BTG Pactual Participations).

The Consortium Shareholders Agreement requires that subsequent to our initial public offering, so long as the members of the Consortium continue to hold, in the aggregate, directly or indirectly, securities of BTGI and Banco BTG Pactual that represent at least 5.0% of the total outstanding securities of BTGI and Banco BTG Pactual, referred to herein as the Requisite Ownership Percentage, the board of directors of each Issuer shall nominate one individual designated by the representative of the members of the Consortium such that the members of the Consortium will have one designee on each such board. Except for any directors nominated by Unit holders or subsequent purchasers of Units, all other members of such board of directors (including any vacancies) will be nominated by BTG Pactual Holding (with respect to the board of directors of Banco BTG Pactual) or BTG GP (with respect to the board of directors of BTG Pactual Participations). Subject to certain limited exceptions set forth in the Consortium Shareholders Agreement, for so long as the representative of the members of the Consortium has the right to nominate a director pursuant to the foregoing, the representative of the members of the Consortium shall have the exclusive right to remove the director designated by such representative and to nominate an individual to fill the vacancy created by such removal.

In addition, the parties to the Consortium Shareholders Agreement agreed, for so long as the members of the Consortium hold, in the aggregate, the Requisite Ownership Percentage, to (x) refrain from requesting the adoption of the cumulative voting procedure (*voto múltiplo*) or the election by separate ballot procedure (*eleição em separado*) set forth in Brazilian Corporations Law, and (y) in case such voting procedures are used in any election of directors of Banco BTG Pactual, cast their votes in that connection in a manner consistent with the Consortium Shareholders Agreement.

Subject to restrictions that may be imposed under applicable law, for so long as the members of the Consortium in the aggregate continue to hold the Requisite Ownership Percentage, the representative of the members of the Consortium has the right to designate one non-voting observer to attend meetings of the board of directors of each Issuer.

In connection with our initial public offering, the Issuers, BTG Pactual Holding and BTG GP entered into a letter agreement with the affiliates of China Investment Corporation that purchased our equity in December 2010. Under the terms of the letter agreement, so long as such affiliates continue to hold at least fifty percent of the equity that was originally purchased by such affiliates in 2010, the Issuers have agreed, subject to certain conditions, to nominate one individual identified by such affiliates (who is reasonably acceptable to us) for election to the board of directors of each Issuer at the annual shareholders meeting of such Issuer's in 2012 and 2013, and BTG Pactual Holding and BTG GP, as applicable, have agreed to vote their shares in favor of the election of such individual to such board of directors.

CONSORTIUM SHAREHOLDERS AGREEMENT

Transfer Restrictions – New Investors

Pursuant to the Consortium Shareholders Agreement, the members of the Consortium and the Participating Partners, in respect of our equity securities acquired by such Participating Partners on the same terms as the members of the Consortium in December 2010, have agreed not to, directly or indirectly, transfer any Banco common shares, Banco Series A preferred shares, BTGI Class D partnership interests or BPP Class D shares held by them immediately prior to the consummation of our initial public offering, or collectively referred to as the investor subject Units, except (a) to certain related parties that are permitted transferees (as defined therein) so long as in connection therewith such permitted transferee executes a joinder to the Consortium Shareholders Agreement and becomes bound thereby to the same extent as the transferor, (b) pursuant to the Consortium Withdrawal Agreement in order to facilitate a transfer that is otherwise permitted by the Consortium Shareholders Agreement or (c) as follows:

Prior to Twelve Months After Initial Public Offering

During the period commencing on the date that is six months after the consummation of our initial public offering and ending on the first anniversary of the consummation of our initial public offering, each member of the Consortium and each Participating Partner was allowed to transfer its investor subject Units as follows:

- pursuant to the "tag-along" rights described below;
- pursuant to the "piggyback registration rights" described below;
- transfers that do not exceed, in the aggregate, 40.0% of the investor subject Units held by such member of the Consortium or such Participating Partner immediately after our initial public offering, as follows:
    - in a "demand registration" as described below;
    - on a recognized securities exchange on which our Units generally trade; and
    - to any other third party for cash consideration (including in a block trade or other negotiated transaction to pre-arranged purchasers), or a ROFO Transaction, or to the extent BTG Pactual Holding exercises its right of first offer described below in connection therewith, a transfer to BTG Pactual Holding (or its designee).

After First Anniversary of Initial Public Offering

From and after the first anniversary of the consummation of our initial public offering, each member of the Consortium and each Participating Partner may transfer its investor subject Units as follows:

- pursuant to the "tag-along" rights described below;
- pursuant to the "piggyback registration rights" or in a "demand registration," in each case, as described below;
- on a recognized securities exchange on which our Units generally trade; and
- to any other third party in a ROFO Transaction, or to the extent BTG Pactual Holding exercises its right of first offer described below in connection therewith, a transfer to BTG Pactual Holding (or its designee).

Transfer Restrictions – Partnership Equity

The Consortium Shareholders Agreement also includes transfer restrictions that are applicable to the Partnership Equity held by the Partners and BTG Pactual Holding. Pursuant to the Consortium Shareholders Agreement, the Partners and BTG Pactual Holding have agreed not to, directly or indirectly, transfer any Banco common shares, Banco Series B preferred shares, BTGI Class A partnership interests, BTGI Class B partnership interests or equity securities in BTG Pactual Holding held by them immediately prior to our initial public offering, collectively referred to as the Partnership Equity, except (a) to certain related parties that are permitted transferees (as defined therein) so long as in connection therewith such permitted transferee executes a joinder to the Consortium Shareholders Agreement and becomes bound thereby to the same extent as the transferor, (b) pursuant to the Partner Withdrawal Agreement in order to facilitate a transfer that is otherwise permitted by the Consortium Shareholders Agreement, (c) pursuant to Reallocation Transfers (see "Our Partnership"), (d) to a lender in connection with the foreclosure by such lender on a loan that created a lien on such Partnership Equity, (e) to a "Strategic Investor" (as defined in "Our Partnership"), but such transfer is subject to the tag-along rights described below, (f) in connection with a "Change of Control" (as defined therein), but such transfer is subject to the tag-along rights described below, (g) with the consent of the representative of the members of the Consortium or (h) as follows:

From December 31, 2013 to December 31, 2014

During the period commencing on December 31, 2013 and ending on December 31, 2014, the following transfers of Partnership Equity by any Partner or BTG Pactual Holding are also permitted to the extent such transfers do not exceed, in the aggregate, 33.33% of the Partnership Equity held by such Partner or BTG Pactual Holding immediately after our initial public offering:

- pursuant to registration rights (whether pursuant to a "demand registration" as described below or "piggyback registration rights" as described below), but any such transfer shall require the approval of our controlling shareholder;
- on a recognized securities exchange on which our Units generally trade; and
- to any other third party for cash consideration (including in a block trade or other negotiated transaction to pre-arranged purchasers), or a ROFO Transaction, or to the extent BTG Pactual Holding exercises its right of first offer described below in connection therewith, a transfer to BTG Pactual Holding (or its designee).

From December 31, 2014 to December 31, 2015

During the period commencing on December 31, 2014 and ending on December 31, 2015, the following transfers of Partnership Equity by any Partner or BTG Pactual Holding are also permitted to the extent such transfers do not exceed, in the aggregate, 66.67% of the Partnership Equity held by such Partner or BTG Pactual Holding immediately after our initial public offering minus any Partnership Equity transferred by such Partner or BTG Pactual Holding between December 31, 2013 and December 31, 2014 that was included in the 33.33% limitation described above:

- pursuant to registration rights (whether pursuant to a "demand registration" as described below or "piggyback registration rights" as described below), but any such transfer shall require the approval of our controlling shareholder;
- on a recognized securities exchange on which our Units generally trade; and
- to any other third party for cash consideration (including in a block trade or other negotiated transaction to pre-arranged purchasers), or a ROFO Transaction, or to the extent BTG Pactual Holding exercises its right of first offer described below in connection therewith, a transfer to BTG Pactual Holding (or its designee).

After December 31, 2015

From and after December 31, 2015, each Partner and BTG Pactual Holding may also transfer its Partnership Equity as follows:

- pursuant to registration rights (whether pursuant to a "demand registration" as described below or "piggyback registration rights" as described below), but any such transfer shall require the approval of our controlling shareholder;
- on a recognized securities exchange on which our Units generally trade; and

- to any other third party for cash consideration (including in a block trade or other negotiated transaction to pre-arranged purchasers), or a ROFO Transaction, or to the extent BTG Pactual Holding exercises its right of first offer described below in connection therewith, a transfer to BTG Pactual Holding (or its designee).

The transfer restrictions applicable to the Partnership Equity in the Consortium Shareholders Agreement described above are generally less restrictive then the transfer restrictions that we have imposed on the Partnership Equity (see "Our Partnership—Restrictions on Sales of Partnership Equity"). However, our controlling shareholder may change the rules regarding the restrictions on Partnership Equity described under "Our Partnership—Restrictions on Sales of Partnership Equity" if such change (x) is approved by the representative of the members of the Consortium or (y) allows Partnership Equity to be transferred in circumstances that are permitted by the Consortium Shareholders Agreement as described above.

Tag-Along Rights

Pursuant to the Consortium Shareholders Agreement, if Partners or BTG Pactual Holding proposes to transfer any of our equity securities in connection with (i) a change of control (generally defined as any transaction pursuant to which any unaffiliated third party or group of unaffiliated third parties acquires more than 35%, on a voting or economic basis, of the outstanding capital stock of Banco BTG Pactual or 35% or more of the consolidated assets of BTG Pactual) occurring at any time or (ii) a transfer to a strategic investor (see "Our Partnership") that occurs within the first year following our initial public offering, then the members of the Consortium and the Participating Partners (in respect of their investor subject Units) will be entitled to priority participation rights to include in such transfer all of the investor subject Units held by such holders that they wish to so include and such Units shall be so included in such sale before any of our equity securities held by the Partners or BTG Pactual Holding are allowed to be included in, and transferred pursuant to, any such transaction.

Right of First Offer

Pursuant to the Consortium Shareholders Agreement, if (x) any member of the Consortium or any Participating Partner desires to transfer investor subject Units in a ROFO Transaction described above or (y) any Partner desires to transfer Partnership Equity in a ROFO Transaction described above, BTG Pactual Holding (or a Partner that it may designate) shall have a right of first offer to acquire such investor subject Units or Partnership Equity, as applicable, on terms and conditions that are the same that such transferor desires to transfer such investor subject Units or Partnership Equity, as applicable, in such ROFO Transaction.

Registration Rights

Demand Registration Rights

We have granted to members of the Consortium "demand" registration rights that allow them at any time after six months following our initial public offering, to request that the Issuers effect an underwritten public offering filed and registered with the CVM of (i) to the extent the demand is being made between the date that is six months after our initial public offering and the first anniversary of our initial public offering, up to a number of our Units equal to 40.0% of Units held by such demanding members of the Consortium immediately after our initial public offering minus the number of investor subject Units, if any, transferred by such demanding members of the Consortium pursuant to the exercise of its piggyback registration rights described below prior the date that is six months following the consummation of our initial public offering or (ii) to the extent the demand is being made at any time after the first anniversary of our initial public offering, up to all of our Units held by such demanding members of the Consortium, so long as, in each case, the number of our Units so requested to be registered have an aggregate value of at least U.S. $150,000,000. In connection with any such demand registration by any member of the Consortium, the non-demanding members of the Consortium and the Participating Partners have a right to include a number of investor subject Units that such holders would have been able to include if they were demanding investors as described above.

If the Issuers (in consultation with the managing underwriters) determine in good faith that the inclusion of all of our Units requested to be included in a demand registration (including such Units requested to be included by the members of the Consortium and the Participating Partners as described above, Units of the Issuers for their own account or Units of the Partners or other persons that have registration rights that are requested to be so included) exceed the largest number of Units that can be sold within the price range acceptable to the representative of the members of the Consortium (being referred to as the maximum demand registration size), then Units will be included in such offering in the following order of priority:

- first, the full number of Units requested to be so included by members of the Consortium and the Participating Partners, and if such number exceeds the maximum demand registration size, the Units so included will be allocated pro rata among such holders based on the relative number of Units requested to be so included;
- second, all of the Units requested to be so included by the Issuers for their own account; and
- third, if there are any remaining Units available for inclusion in such offering, the remaining Units may be allocated as determined by BTG Pactual Holding and BTG GP.

The Issuers are not required to effect (i) more than one demand registration in any six-month period, (ii) more than three demand registrations in total (or, if there is a change in Brazilian Corporations Law that prohibits our Units from being traded on a recognized securities exchange on which our Units generally trade without being registered pursuant to a valid and effective registration statement, more than five demand registrations) or (iii) a demand registration within six months of an underwritten offering initiated by the Issuers in which the members of the Consortium were given piggyback rights as described below and were given the opportunity to sell Units in the offering and which offering included at least 50% of the Units collectively requested by members of the Consortium to be included.

Piggyback Registration Rights

The members of the Consortium and the Participating Partners (in each case, in respect of their investor subject Units) also have "piggyback" registration rights that allow them to include the investor subject Units that they own in any underwritten public offering filed and registered with the CVM to the extent such offering is initiated by us (or any other person that has registration rights, other than the members of the Consortium or the Participating Partners), subject to the transfer restrictions discussed above. If the Issuers (in consultation with the managing underwriters) determine in good faith that the inclusion of all of our Units requested to be included in an offering (including such Units requested to be included pursuant to the exercise of piggyback rights by the members of the Consortium or the Participating Partners, Units of the Issuers for their own account or Units of the Partners or other persons that have registration rights that are requested to be so included) exceed the largest number of Units that can be sold within the price range acceptable to the Issuers (being referred to as the maximum incidental registration size), then Units will be included in such offering in the following order of priority:

- first, the number of Units requested to be so included by members of the Consortium and the Participating Partners equal to the lesser of (x) 20% of the maximum incidental registration size and (y) all of the Units requested to be so included by members of the Consortium and the Participating Partners;
- second, all of the Units requested to be so included by the Issuers for their own account;
- third, if there are any remaining Units available for inclusion in such offering, then all of the remaining Units of the members of the Consortium and the Participating Partners that were requested to be so included, allocated pro rata among such holders based on the relative number of Units requested to be so included; and
- fourth, if there are any remaining Units available for inclusion in such offering, then remaining Units may be allocated as determined by BTG Pactual Holding and BTG GP.

The piggyback registration rights shall not apply to the issuance of our equity securities that is incidental to the registration of our equity securities in connection with (i) the issuance of our Units upon the conversion or exercise of any stock equivalents, (ii) the issuance of our Units in connection with any acquisition transaction or stock split, stock dividend or similar issuance, (iii) issuances of our equity securities to officers, directors or employees pursuant to a stock option program or (iv) transactions contemplated by the Withdrawal Agreements.

Expenses

We will pay all reasonable expenses incident to the performance of our obligations in connection with any registration under the Consortium Shareholders Agreement, except that the members of the Consortium shall bear any expenses incurred in connection with a demand registration that was initiated by members of the Consortium and is subsequently withdrawn by, or at the request of, the members of the Consortium. All underwriting discounts, commissions and fees, taxes and all fees and expenses incident to the performance of the obligations of our shareholders in connection with any registration under the Consortium Shareholders Agreements will be paid by the holders of registrable securities that are sold under the Consortium Shareholders Agreement, pro rata based on the number of such securities sold pursuant thereto.

Registration Rights of Others

Pursuant to the Consortium Shareholders Agreement, we have agreed to not grant any demand, piggyback or incidental registration rights that are senior to or conflict with the rights granted to the members of the Consortium under the Consortium Shareholders Agreement to any other person or entity without the prior written consent of the representative of the members of the Consortium.

BTGI PARTNERSHIP AGREEMENT

The partnership agreement of BTGI, referred to herein as the BTGI Partnership Agreement, was entered into by BTG Pactual Participations, as the general partner, and the Partners (including the Participating Partners, in respect of their BTGI Class D partnership interests) and members of the Consortium, as limited partners. The following is a summary of certain of the material provisions of the BTGI Partnership Agreement.

Management

The business and affairs of BTGI are managed exclusively by BTG Pactual Participations, its general partner. BTG Pactual Participations (i) does not engage in any other business activity, (ii) owns all of the capital stock of BTG Bermuda Holdco and (iii) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in the initial public offering of BTG Pactual in April 2012, subsequent purchasers of Units and members of the Consortium. The limited partners, in their capacity as limited partners, have no part in the management of BTGI and have no authority or right to act on behalf of BTGI or bind BTGI in connection with any matter.

Partnership Interests

The BTGI limited partnership interests are designated as either BTGI Class A partnership interests, BTGI Class B partnership interests, BTGI Class C partnership interests or BTGI Class D partnership interests. Except as expressly provided in the BTGI Partnership Agreement, the BTGI Class A partnership interests and BTGI Class B partnership interests entitle the holders thereof to equal rights and are held exclusively by our Partners. BTGI Class C partnership interests are held exclusively by BTG Bermuda Holdco. BTGI Class D partnership interests are held exclusively by the members of the Consortium and the Participating Partners, and the executives who were the former owners of Celfin.

From time to time, the general partner may establish other classes or series of limited partnership interests of BTGI with such designations, preferences and relative, participating, optional or other special rights, powers and duties (including rights, powers and duties that may be senior or otherwise entitled to preference over existing BTGI limited partnership interests) as shall be determined by the general partner in its sole discretion.

Distributions

Subject to the terms of any additional classes or series of interests established by the general partner, distributions will be made as and when determined by the general partner, to the partners in accordance with their respective BTGI limited partnership interests. The holder of BTGI limited partnership interests are entitled to participate *pro rata* in dividends or distributions, in accordance with their relative ownership percentages. The BTGI general partnership interest held by BTG Pactual Participations will not entitle the general partner to receive any distributions. The general partner may cause BTGI to make distributions of cash, interests or other assets or property of BTGI. Except for required distributions, no limited partner has the right to demand that BTGI make any distributions to such limited partner. Under the Bermuda LP Act, BTGI may not pay any share of its profits or other compensation by way of income to a limited partner from its assets if, on the date the payment is to be effected, the general partner has reasonable grounds believing that BTGI, after the payment, would be unable to pay its liabilities as they become due.

Splits, Distributions of Shares and Recapitalizations

BTGI shall not in any manner subdivide (by split, distribution, reclassification, recapitalization or otherwise) or combine (by reverse split, reclassification, recapitalization or otherwise) the outstanding BTGI limited partnership interests unless an identical event is occurring with respect to the BPP Class A shares and BPP Class B shares, in which event the BTGI limited partnership interests shall be subdivided or combined concurrently with and in the same manner as such shares.

BTGI PARTNERSHIP AGREEMENT

Issuance of BPP Class A shares and BPP Class B shares

At any time BTG Pactual Participations issues any BPP Class A shares or BPP Class B shares, (i) the net proceeds, if any, received by BTG Pactual Participations with respect to such shares shall be concurrently contributed through BTG Bermuda Holdco to BTGI and (ii) BTGI shall issue to BTG Bermuda Holdco one BTGI Class C partnership interest for each such BPP Class A share or BPP Class B share that is issued.

Transfer Restrictions

See "Our Partnership—Restrictions on Sales of Partnership Equity" and "Consortium Shareholders Agreement—Transfer Restrictions—Partnership Equity" for a description of the transfer restrictions that apply to the BTGI limited partnership interests held by our Partners (excluding the Participating Partners in respect of the BTGI Class D partnership interests).

See "Consortium Shareholders Agreement—Transfer Restrictions—New Investors" for a description of the transfer restrictions that apply to the BTGI Class D partnership interests held by the members of the Consortium and the Participating Partners.

BTG Bermuda Holdco is not permitted to transfer its BTGI Class C partnership interests except to BTG Pactual Participations or another wholly-owned subsidiary of BTG Pactual Participations or otherwise with the consent of the general partner.

Transfer of General Partnership Interest-Premium Sharing Principle

The general partner may not directly transfer the BTGI general partnership interest to any person unless such transfer is for nominal value or, if compensation is paid in excess of nominal value, such compensation is paid *pro rata* to each limited partner of BTGI based on its relative ownership percentage in BTGI, which we call the "premium sharing principle."

Limitation on Partner Liability

Except as required by applicable law, no limited partner will have any personal liability in its capacity as a limited partner of BTGI for the debts, liabilities or other obligations of BTGI; and, except as specifically set forth in the BTGI Partnership Agreement or any other applicable agreement or as required by applicable law, no limited partner in its capacity as a limited partner of BTGI shall have any liability or obligations to BTGI or any other partner of BTGI.

Indemnification and Exculpation

BTGI shall, to the maximum extent permitted by applicable law, indemnify and hold harmless the general partner and any officer, director, stockholder, member, partner, employee, agent or assign of the general partner or BTGI, from and against any and all liabilities, losses, fees, penalties, damages, costs and expenses, which arise out of, relate to or are in connection with the BTGI Partnership Agreement or the management or conduct of the business or affairs of BTGI, except to the extent such damages are finally determined by an arbitration award to have resulted from the gross negligence or willful misconduct of the person seeking indemnification.

Neither the general partner nor any officer, director, stockholder, member, partner, employee, agent or assign of the general partner or BTGI shall be liable, responsible or accountable, whether directly or indirectly, in contract or tort or otherwise, to BTGI, any limited partner, any former limited partner or any affiliate of the foregoing for any liabilities, losses, fees, penalties, damages, costs and expenses asserted against, suffered or incurred by BTGI, any limited partner, any former limited partner or any such affiliate arising out of, relating to or in connection with any act or failure to act pursuant to the BTGI Partnership Agreement or otherwise with respect to the management or conduct of the business and affairs of BTGI, except to the extent such damages are finally determined by an arbitration award to have resulted from the gross negligence, fraud or willful misconduct of such person.

Dissolution

BTGI will be dissolved and its affairs will be wound up upon the first to occur of (i) the occurrence of a bankruptcy or dissolution of BTG Pactual Participations, as the general partner, unless the holders of the majority of all BTGI limited partnership interests appoints a new general partner within 90 days of the occurrence of such event, (ii) the occurrence of a disabling event with respect to the last remaining limited partner, unless a new limited partner is admitted by the general partner within 90 days of the occurrence of such event and (iii) the determination of the general partner to dissolve BTGI. Except as set forth above, the removal, death, disability, resignation, bankruptcy, dissolution, incapacity or adjudication of incompetence of a limited partner shall not dissolve BTGI.

Upon the winding up of BTGI, after payment in full of all amounts owed to BTGI's creditors and all liquidation expenses, and after the establishment of any reserves that the general partner deems reasonably necessary for any contingent or unforeseen liabilities or obligations of BTGI, if any, the holders of BTGI limited partnership interest will be entitled to receive the remaining assets of BTGI available for distribution in accordance with and to the extent of positive balances in the respective capital accounts of such holders after taking into account certain adjustments.

Amendments

The BTGI Partnership Agreement may be amended by the general partner in its sole discretion, except that certain amendments, as set forth in the BTGI Partnership Agreement, require the consent of the holders of the BTGI Class A partnership interests and BTGI Class B partnership interests or holders of BTGI Class D partnership interests, as applicable. In addition, no amendment:

- may increase the obligations or liabilities of a limited partner in a manner not contemplated by the BTGI Partnership Agreement without the consent of such limited partner;
- to the provisions providing for the appointment by the holders of a majority of the BTGI limited partnership interests of a replacement tax matters partner, in the case the general partner resigns from such position, may be made without the consent of the holders of a majority of the BTGI limited partnership interests; and
- to the provisions providing for appointment by the holders of a majority of the BTGI limited partnership interests of a replacement general partner, in the case of the bankruptcy or dissolution of the general partner, may be made without the consent of the holders of a majority of the BTGI limited partnership interests.

PRINCIPAL SHAREHOLDERS

Banco BTG Pactual

As of September 20, 2013, Banco BTG Pactual's outstanding capital stock was R$6,406,862,731.03, fully subscribed and paid-in, represented by 2,714,902,212 shares, all nominative, in book-entry form and without par value, consisting of 1,390,671,404 common shares, 508,380,404 Series A preferred shares and 815,850,404 Series B preferred shares. Banco BTG Pactual's capital stock can be increased (without requiring any amendment to its by-laws) up to the limit of 10,000,000,000 shares, subject to the limitation provided for in article 15, §2, of Brazilian Corporations Law (which restricts the number of preferred shares without voting rights to fifty percent of all issued shares), by resolution of Banco BTG Pactual's board of directors, which shall establish the issue price, the number of common shares and/or preferred shares to be issued and any additional conditions for the subscription and payment of such shares. Any increase in the capital stock of Banco BTG Pactual must be approved by the Central Bank.

The following table sets forth information as of September 20, 2013 relating to the ownership of Banco BTG Pactual's shares by (i) each beneficial owner of 5.0% or more of Banco BTG Pactual's preferred shares or common shares, (ii) the holders of Units that are part of the free float (excluding Units held, directly or indirectly, by Partners, BTG Pactual Holding, the Merchant Banking Partnership and members of the Consortium) as a group, (iii) the Participating Partners (other than Mr. Esteves) as a group, and (iv) the former partners of Celfin as a group and the former partners of Bolsa y Renta as a group. The table below does not account for any of Banco BTG Pactual's common shares or preferred shares that may be issued upon conversion of Banco BTG Pactual's Series B preferred shares into Series A preferred shares or common shares.

Name	Common	Series A preferred	Series B preferred	% of common	% of Series A preferred	% of Series
André Santos Esteves[(1)]	1,165,273,391	57,584,379	815,850,404	83.8%	11.3%	100%
Members of the Consortium as a group[(2)]	72,485,508	144,971,016	–	5.2%	28.5%	-
Participating Partners (other than Mr. Esteves) as a group[(3)]	12,098,601	24,197,201	–	0.9%	4.8%	-
Former Celfin Partners as a group	19,865,336	39,730,672	–	1.4%	7.8%	-
Former Bolsa y Renta Partners as a group	2,302,068	4,604,136	–	0.2%	0.9%	-
Free float (as defined above)	118,646,500	237,293,000	–	8.5%	46.7%	-
Total	**1,390,671,404**	**508,380,404**	**815,850,404**	**100.00%**	**100.00%**	**100.00**%

(1) The Banco common shares, Banco Series A preferred shares and Banco Series B preferred shares reported in the table above as beneficially owned by Mr. Esteves as of September 20, 2013 include (i) 8,792,589 Banco common shares and 17,585,179 Banco Series A preferred shares held directly by Mr. Esteves (including through his family members or through trusts or other entities established for his benefit or the benefit of his family members) (the "AE Holders"), in his capacity as a Participating Partner, (ii) 1,210,800 Banco common shares and 2,421,600 Banco Series A preferred shares held directly by the AE Holders, (iii) 1,150,024,802 Banco common shares, 27,087,200 Banco Series A preferred shares and 815,850,404 Banco Series B preferred shares, which represent all of the Banco common shares, Banco Series A preferred shares and Banco Series B preferred shares held directly by BTG Pactual Holding and which may be deemed to be beneficially owned by Mr. Esteves by virtue of Mr. Esteves' ability to exercise control over BTG Pactual Holding as a result of his ownership of a majority of the outstanding voting common shares of BTG Pactual Holding, (iv) 5,054,500 Banco common shares and 10,109,000 Banco Series A preferred shares, which represent all of the Banco common shares and Banco Series A preferred shares held directly by the Merchant Banking Partnership and which may be deemed to be beneficially owned by Mr. Esteves by virtue of the AE Holders control of the general partnership interests in the Merchant Banking Partnership and (v) 190,700 Banco common shares and 381,400 Banco Series A preferred shares, which represent all of the Banco common shares and Banco Series A preferred shares held directly by an entity that is 99.5% owned by Partners ("PCPFIM")

and which may be deemed to be beneficially owned by Mr. Esteves by virtue of Mr. Esteves' ability to exercise control over PCPFIM as a result of his ownership of a majority of the outstanding voting interests of PCPFIM. Mr. Esteves disclaims beneficial ownership of the Banco common shares, Banco Series A preferred shares and Banco Series B preferred shares, as applicable, which may be deemed to be beneficially owned by Mr. Esteves indirectly, through BTG Pactual Holding, the Merchant Banking Partnership and PCPFIM, except to the extent of his pecuniary interest in BTG Pactual Holding, the Merchant Banking Partnership and PCPFIM. Mr. Esteves' pecuniary interest in each of BTG Pactual Holding and the Merchant Banking Partnership is approximately 28.3% and his pecuniary interest in PCPFIM is approximately 57.4%.

(2) This presentation should not be viewed as an indication that the members of the Consortium are a group or share beneficial ownership of the aggregate equity interests reported in such table. Each member of the Consortium disclaims beneficial ownership of any equity interests in the BTG Pactual Group owned by any other member of the Consortium, and each member of the Consortium's beneficial ownership of equity interests in Banco BTG Pactual is limited to the number of such interests held by such member of the Consortium as expressly set forth in this footnote 2. As of September 20, 2013, each member of the members of the Consortium owns the following equity interest in Banco BTG Pactual: (i) Pacific Mezz Investco S.A.R.L. holds 17,620,467 Banco common shares and 35,240,934 Banco Series A preferred shares; (ii) Beryl County LLP holds 17,620,467 Banco common shares and 35,240,934 Banco Series A preferred shares; (iii) Ontario Teachers' Pension Plan Board (OTPP) holds 16,580,311 Banco common shares and 33,160,622 Banco Series A preferred shares; (iv) Hanover Investments (Luxembourg) S.A. holds 12,479,912 Banco common shares and 24,959,824 Banco Series A preferred shares; (v) Sierra Nevada Investments LLC holds 6,632,124 Banco common shares and 13,264,248 Banco Series A preferred shares and (vi) Rendefeld, S.A. holds 1,552,227 Banco common shares and 3,104,454 Banco Series A preferred shares. The ownership table set forth above aggregates, for informational purposes only, the equity interests in Banco BTG Pactual held by each of the members of the Consortium.

(3) The Banco common shares and Banco Series A preferred shares reported in the table above as beneficially owned by the Participating Partners (other than Mr. Esteves) as a group as of September 20, 2013 represent the number of such shares held directly by such Participating Partners, as a group, (including through their family members or through trusts or other entities established for their benefit or the benefit of their family members), in their capacity as Participating Partners and does not include any of Banco BTG Pactual's equity interests that are held by BTG Pactual Holding and may be deemed to be beneficially owned by such Participating Partners indirectly by virtue of their pecuniary interest in BTG Pactual Holding.

BTG Pactual Participations

As of September 20, 2013, there are 651,212,995 shares of capital stock of BTG Pactual Participations issued and outstanding, consisting of 198,511,396 BPP Class A shares, 397,022,792 BPP Class B shares, 1 BPP Class C share and 55,678,806 BPP Class D shares. Since the BPP Class C shares and BPP Class D shares are voting-only shares and have no economic rights in BTG Pactual Participations, the table below presents information relating to the shareholders that have more then 5.0% of the economic ownership in BTG Pactual Participations (represented by BPP Class A shares and BPP Class B shares). In addition, the following table sets forth information relating to the ownership of shares of BTG Pactual Participations as of the date of this Prospectus, by (i) the beneficial owner of the BPP Class C share, (ii) each beneficial owner of 5.0% or more of the BPP Class D shares, (iii) the former partners of Celfin as a group and the former partners of Bolsa y Renta as a group, and (iv) the holders of Units that are part of the free float (excluding Units held or controlled, directly or indirectly, by Partners, BTG Pactual Holding, the Merchant Banking Partnership, the members of the Consortium and the former partners of Celfin and Bolsa y Renta) as a group. The table below does not account for the consummation of any transactions that may be affected pursuant to the Withdrawal Agreements. See "Withdrawal Agreements."

	Number of BTG Pactual Participations Shares				% of Economics
Principal Shareholder	**Class A**	**Class B**	**Class C**	**Class D**	**(Class A + Class B)**
André Santos Esteves[(1)]	19,999,600	39,999,200	1	[(1)]	10.1%
Members of the Consortium[(2)]	57,563,228	115,126,456	-	14,922,280	29.0%
Prince Investments, Ltd.[(3)]	-	-	-	20,891,190	0%
Former Celfin Partners	-	-	-	19,865,336	0%
Former Bolsa y Renta Partners	2,302,068	4,604,136	-	-	1.2%
Free-Float (as defined above)	118,646,500	237,293,000	-	-	59.7%
Total	198,511,396	397,022,792	1	55,678,806	100%

(1) BTG GP is the direct holder of the BPP Class C share. Mr. Esteves beneficially owns the BPP Class C share by virtue of his ownership of two-thirds of the voting interests, and thereby control, of BTG GP. As reported in footnote 3 below, Prince Investments, Ltd. is the direct owner of 20,891,190 BPP Class D shares and was the entity used by

the Participating Partners to acquire equity interests at the same time, on the same terms and as part of the same transaction as the members of the Consortium. Mr. Esteves (including through his family members or through trusts or other entities established for his benefit or the benefit of his family members) (the "AE Holders") owns approximately 42.09% of Prince Investments, Ltd.. As a result, Mr. Esteves may be deemed to have beneficial ownership of 8,792,589 BPP Class D shares as a result of the AE Holders pecuniary interest in Prince Investments Ltd. The BPP Class A shares and BPP Class B shares reported in the table above as beneficially owned by Mr. Esteves as of September 20, 2013 include (i) 1,210,800 BPP Class A shares and 2,421,600 BPP Class B shares are held directly by the AE Holders, (ii) 13,543,600 BPP Class A shares and 27,087,200 BPP Class B shares, which represent all of the BPP Class A shares and BPP Class B shares held directly by BTG Pactual Holding and which may be deemed to be beneficially owned by Mr. Esteves by virtue of Mr. Esteves' ability to exercise control over BTG Pactual Holding as a result of his ownership of a majority of the outstanding voting common shares of BTG Pactual Holding, (iii) 5,054,500 BPP Class A shares and 10,109,000 BPP Class B shares, which represent all of the BPP Class A shares and BPP Class B shares held directly by the Merchant Banking Partnership and which may be deemed to be beneficially owned by Mr. Esteves by virtue of the AE Holders control of the general partnership interests in the Merchant Banking Partnership and (iv) 190,700 BPP Class A shares and 381,400 BPP Class B shares, which represent all of the BPP Class A shares and BPP Class B shares held directly by an entity that is 99.5% owned by Partners ("PCPFIM") and which may be deemed to be beneficially owned by Mr. Esteves by virtue of Mr. Esteves' ability to exercise control over PCPFIM as a result of his ownership of a majority of the outstanding voting interests of PCPFIM. Mr. Esteves disclaims beneficial ownership of the BPP Class A shares and BPP Class B shares, as applicable, which may be deemed to be beneficially owned by Mr. Esteves indirectly, through BTG Pactual Holding, the Merchant Banking Partnership and PCPFIM, except to the extent of his pecuniary interest in BTG Pactual Holding, the Merchant Banking Partnership and PCPFIM. Mr. Esteves' pecuniary interest in each of BTG Pactual Holding and the Merchant Banking Partnership is approximately 28.3% and his pecuniary interest in PCPFIM is approximately 57.4%.

(2) This presentation should not be viewed as an indication that the members of the Consortium are a group or share beneficial ownership of the aggregate equity interests reported in such table. Each member of the Consortium disclaims beneficial ownership of any equity interests in the BTG Pactual Group owned by any other member of the Consortium, and each member of the Consortium's beneficial ownership of equity interests in BTG Pactual Participations is limited to the number of such interests held by such member of the Consortium as expressly set forth in this footnote 2. As of September 20, 2013, Pacific Mezz Investco S.A.R.L. directly owns 14,922,280 BPP Class D shares. In addition, as a result of the consummation of the transactions contemplated by the Withdrawal Agreements, certain members of the Consortium have exchanged their BTGI Class D partnership interests for BPP Class A shares and BPP Class B shares and have thereby acquired a pecuniary interest directly in BTG Pactual Participations (through their direct ownership of BPP Class A shares and BPP Class B shares) as follows: (i) Pacific Mezz Investco S.A.R.L. (2,698,187 BPP Class A shares and 5,396,374 BPP Class B shares), (ii) Beryl County LLP (17,620,467 BPP Class A shares and 35,240,934 BPP Class B shares), (iii) Hanover Investments (Luxembourg) S.A. (12,479,912 BPP Class A shares and 24,959,824 BPP Class B shares), (iv) Rendefeld S.A. (1,552,227 BPP Class A shares and 3,104,454 BPP Class B shares), (v) Sierra Nevada Investments LLC (6,632,124 BPP Class A shares and 13,264,248 BPP Class B shares) and (vi) Classroom Investments, Inc. (16,580,311 BPP Class A shares and 33,160,622 BPP Class B shares). The ownership table set forth above aggregates, for informational purposes only, the equity interests in BTG Pactual Participations held by each of the members of the Consortium.

(3) Prince Investments, Ltd. beneficially owns 20,891,190 BPP Class D shares, which it acquired at the same time, on the same terms and as part of the same transaction as the members of the Consortium. Prince Investments, Ltd. is wholly-owned by the Participating Partners. See footnote 1..

BTGI

As of September 20, 2013, there is 2,714,902,212 BTGI limited partnership interests issued and outstanding, consisting of 1,674,623,797 BTGI Class A partnership interests, 277,707,809 BTGI Class B partnership interests, 595,534,188 BTGI Class C partnership interests and 167,036,418 BTGI Class D partnership interests.

As is the case with Bermuda limited partnerships, the BTGI Partnership Agreement provides for the management of our business and affairs by a general partner rather than a board of directors. BTG Pactual Participations serves as the sole general partner of BTGI; however, pursuant to the bylaws of BTG Pactual Participations, BTG Pactual Participations may not take certain actions in its capacity as the general partner of BTGI without the approval of the holder of the BPP Class C share.

PRINCIPAL SHAREHOLDERS

The following table sets forth information relating to the ownership of each beneficial owner of 5.0% or more of the BTGI limited partnership interests. The table below does not account for the consummation of any transactions that may be affected pursuant to the Withdrawal Agreements. See "Withdrawal Agreements."

	Number of BTGI Partnership Interests				
Partner	**Class A**	**Class B**	**Class C**	**Class D**	**% of BTGI LP interests**
André Santos Esteves[(1)]	503,691,046	48,637,639	19,745,321	26,377,768	22.0%
BTG Pactual Participations[(2)]	--	--	595,534,188	--	21.9%
Members of the Consortium[(3)]	--	--	172,689,684	44,766,840	8.0%
Participating Partners (other than Mr. Esteves) as a group[(4)]	--	--	--	36,295,802	1.3%
Former Celfin Partners as a group	--	--	--	59,596,008	2.2%
Partnership Equity (other than such equity held by Mr. Esteves)[(5)]	1,170,932,751	229,070,170	--	--	51.6%
Total	**1,674,623,797**	**277,707,809**	**595,534,188[(6)]**	**167,036,418**	**100.00%**

(1) Of the BTGI Class A partnership interests reported in the table above as beneficially owned by Mr. Esteves (i) 502,249,465 are held directly by Mr. Esteves (including through his family members or through trusts or other entities established for his benefit or the benefit of his family members) (the "AE Holders") and (ii) 1,441,581 are held directly by the Merchant Banking Partnership and may be deemed to be beneficially owned by the AE Holders indirectly by virtue of their pecuniary interest in the Merchant Banking Partnership. The Merchant Banking Partnership is wholly-owned by the Partners and is the entity that effects reallocations of Partnership Equity consisting of the BTGI limited partnership interests and from time to time the Merchant Banking Partnership will temporarily hold the BTGI limited partnership interests as part of the Partnership Equity pending reallocations (see "Our Partnership"). The Merchant Banking Partnership owns, as of September 20, 2013, 5,095,583 BTGI Class A partnership interests and 819,962 BTGI Class B partnership interests. While Mr. Esteves may be deemed to beneficially own all of the BTGI Class A partnership interests and BTGI Class B partnership interests held by the Merchant Banking Partnership by virtue of his control of the general partnership interests in the Merchant Banking Partnership, Mr. Esteves disclaims beneficial ownership thereof except to the extent of his pecuniary interest in the Merchant Banking Partnership. Mr. Esteves' pecuniary interest in the Merchant Banking Partnership is approximately 28.3%. Of the BTGI Class B partnership interests reported in the table above as beneficially owned by Mr. Esteves (i) 48,405,665 are held directly by the AE Holders and (ii) 231,974 are held directly by the Merchant Banking Partnership and, as described above, may be deemed to be beneficially owned by the AE Holders indirectly by virtue of their pecuniary interest in the Merchant Banking Partnership. The BTGI Class C partnership interests reported in the table above as beneficially owned by Mr. Esteves are held directly by BTG Bermuda Holdco and indirectly by BTG Pactual Participations and Unit holders but may be deemed to be beneficially owned by the AE Holders indirectly by virtue of their pecuniary interest, directly or indirectly, in BTG Pactual Participations through their pecuniary interest in Units that were purchased by the AE Holders, BTG Pactual Holding, the Merchant Banking Partnership and other entities controlled by the AE Holders in the initial public offering of the BTG Pactual Group or thereafter in the open market, as applicable. Mr. Esteves' controls BTG GP by virtue of his ownership of two-thirds of the voting interests therein. BTG GP is the holder of the BPP Class C share and may be deemed to have control over BTG Pactual Participations. As a result, Mr. Esteves may be deemed to have control over BTG Pactual Participations, and therefore all of the BTGI Class C partnership interest held by BTG Pactual Participations. Mr. Esteves disclaims ownership of all BTGI Class C partnership interests held by BTG Pactual Participations except to the extent of the AE Holders' pecuniary interest therein which is reported in the table above. The BTGI Class D partnership interests reported in the table above as beneficially owned by Mr. Esteves are held directly by Prince Investments, Ltd. and may be deemed to be beneficially owned by the AE Holders indirectly by virtue of their pecuniary interest in Prince Investments, Ltd. Mr. Esteves' pecuniary interest in Prince Investments, Ltd. is approximately 42.09%. Prince Investments, Ltd. acquired BTGI Class D partnership interests (as part of the equity acquired by the Participating Partners) at the same time, on the same terms and as part of the same transaction as the members of the Consortium.

(2) The BTGI Class C partnership interests reported in the table above as beneficially owned by BTG Pactual Participations (i) are held indirectly by BTG Pactual Participations through BTG Bermuda Holdco and represent the indirect economic ownership interest in BTGI owned by the holders of Units and (ii) constitute 100% of the BTGI Class C partnership interests issued and outstanding as of September 20, 2013.

(3) As of September 20, 2013, Pacific Mezz Investco S.A.R.L. held 44,766,840 BTGI Class D partnership interests. In addition, as a result of the consummation of the transactions contemplated by the Withdrawal Agreements, certain members of the Consortium have exchanged their BTGI Class D partnership interests for BPP Class A shares and BPP Class B shares (and at the same time as the consummation of such transactions, BTGI indirectly distributed a number of BTGI Class C partnership interests to BTG Pactual Participations equal to the number of BTGI Class D partnership interests that were so exchanged) and have thereby acquired a pecuniary interest directly in BTG Pactual Participations and, based on the percentage of such pecuniary interest, have acquired an indirect pecuniary interest in a certain number of BTGI Class C partnership interests reported in the table above as beneficially owned by the members of the Consortium, as follows: (i) Pacific Mezz Investco S.A.R.L. (8,094,561), (ii) Beryl County LLP (52,861,401), (iii) Hanover Investments (Luxembourg) S.A. (37,439,736), (iv) Rendefeld S.A. (4,656,681), (v) Classroom Investments Inc. (49,740,933) and (vi) Sierra Nevada Investments LLC (19,896,372). The ownership table set forth above aggregates, for informational purposes only, the equity interests in BTGI held by each of the members of the Consortium. However, such presentation should not be viewed as an indication that the members of the Consortium are a group or share beneficial ownership of the aggregate equity interests reported in such table. Each member of the Consortium disclaims beneficial ownership of any equity interests in BTGI owned by any other member of the Consortium, and each member of the Consortium's beneficial ownership of equity interests in BTGI is limited to the number of such interests held by such member of the Consortium as expressly set forth in this footnote 3.

(4) The Participating Partners hold an indirect interest in the BTGI Class D partnership interests by virtue of holding economic interests in Prince Investments, Ltd. Prince Investments, Ltd. beneficially owns 62,673,570 BTGI Class D partnership interests, which it acquired at the same time, on the same terms and as part of the same transaction as the members of the Consortium. Prince Investments, Ltd. is wholly-owned by the Participating Partners. As described in footnote 1, by virtue of his pecuniary interest in Prince Investments, Ltd., Mr. Esteves has an indirect pecuniary interest in 26,377,768 BTGI Class D partnership interests held directly by Prince Investments, Ltd., with the remaining Participating Partners holding an indirect pecuniary interest in 36,295,802 BTGI Class D partnership interests held by Prince Investments, Ltd. by virtue of such remaining Participating Partners economic ownership interests in Prince Investments, Ltd.

(5) The BTGI Class A partnership equity and BTGI Class B partnership equity reported in the table above as beneficially owned as part of the Partnership Equity, is held directly by Partners (other than Mr. Esteves) or, as described in footnote 1, the Merchant Banking Partnership pending reallocated to other Partners.

(6) For purposes of reporting the total number of BTGI Class C partnership interests beneficially owned in the table above (and the corresponding total percentages of BTGI LP interests), the number of such interests that may be deemed to be beneficially owned by Mr. Esteves and the members of the Consortium have been ignored to avoid double counting since all of such interests are directly held by BTG Bermuda Holdco and indirectly held by BTG Pactual Participations and are reported in the table above as beneficially owned by BTG Pactual Participations (see footnote 2).

PARTNERSHIP LOAN TRANSACTIONS

We engage in a series of loan transactions with our Partners in order to facilitate the purchase of their Partnership Equity and the implementation of our partnership model. These transactions are entered into as part of our ordinary commercial operations, particularly on an annual basis in connection with the annual reallocation of the Partnership Equity. See "Our Partnership."

Partner Loans

From time to time, including in connection with our formation, and in connection with the purchase of the BTGI limited partnership interests as part of Reallocation Transfers (see "Our Partnership"), BTGI or its subsidiaries made loans, referred to herein as the BTGI Partner Loans, to certain Partners, in such capacity, the BTGI Debtor Partners, the proceeds of which were used to fund all or a portion of their investment in the BTGI limited partnership interests. The BTGI Partner Loans mature 20 years after the date of the loan, unless otherwise accelerated as provided below. As of December 31, 2012, the aggregate original principal amount that remained outstanding under such loans (excluding any adjustments to such principal based on the prevailing CDI Rate as described below) was approximately R$90.4 million. Because of the steps the BTG Pactual Group has taken to ensure that its partnership model would not change following its initial public offering; it expects to continue to make additional BTGI Partner Loans. See "Our Partnership—Continuation of Purchase/Sale Right."

The BTGI Partner Loans are denominated in *reais*. The outstanding principal of the BTGI Partner Loans will be adjusted from time to time based on a percentage that corresponds to the accumulated variation of the Brazilian interbank rate for 1-day certificate of deposits as calculated and disclosed by CETIP - Balcão Organizado de Ativos e Derivativos, during any given period as specified in such BTGI Partner Loans, referred to herein as the prevailing CDI Rate. The outstanding principal of the BTGI Partner Loans is adjusted by the prevailing CDI Rate on each date that a voluntary or mandatory prepayment is made (or is required to be made). The BTGI Debtor Partners must make mandatory prepayments on the outstanding amounts of the BTGI Partner Loans if any cash distributions or other cash payments are made to the BTGI Debtor Partners pursuant to the BTGI Partnership Agreement (other than, prior to the BTG Pactual Group's initial public offering, with respect to mandatory tax distributions) or if the BTGI Debtor Partners receive any proceeds from the sale or other disposition of their BTGI limited partnership interests. The BTGI Debtor Partners may also voluntarily prepay the BTGI Partner Loans without penalty or premium. In addition, in connection with the payment of annual cash bonuses to Partners, the BTG Pactual Group has generally determined the amount of such bonus that the BTGI Debtor Partners are permitted to retain and required BTGI Debtor Partners to use the remainder of such bonus, on an after-tax basis, to pay down outstanding amounts due under their respective BTGI Partner Loans or Banco BTG Pactual Partner Loans (as described below). The amount of such bonuses that may be retained by the BTGI Debtor Partners is generally applied equally among all the BTGI Debtor Partners of the same class (determined based upon the country in which they are based and the ownership interest they hold in us), although exceptions have been made on a case by case basis for Partners demonstrating specific liquidity needs. Although the use of bonuses to pay down outstanding loan balances is not required by the terms of the BTGI Partner Loans, a Partner who fails to comply with such policy understands that as a result of such failure, the Merchant Banking Partnership may exercise its rights to repurchase the BTGI limited partnership interests owned by such Partner at book value. See "Our Partnership."

The BTGI Partner Loans contain events of default, such as payment defaults, bankruptcy and insolvency, and if our Debtor Partner grants a lien or other encumbrance on its BTGI limited partnership interests (other than permitted liens or encumbrances) or ceases to own any of BTGI limited partnership interests. In the case of an event of default, we may, among other things, and subject to certain limitations, declare any amounts outstanding under the BTGI Partner Loans immediately due and payable.

PARTNERSHIP LOAN TRANSACTIONS

Banco BTG Pactual Partner Loans

From time to time, including in connection with the acquisition of Banco BTG Pactual, and in connection with the purchase of shares in each of Banco BTG Pactual and BTG Pactual Holding as part of Reallocation Transfers (see "Our Partnership"), BTG Loanco, LLC, a Delaware limited liability company and the BTG Pactual Group's wholly owned subsidiary, or BTG Loanco, made loans, referred to herein as the Banco BTG Pactual Partner Loans, to certain Partners, in such capacity, the Banco BTG Pactual Debtor Partners, the proceeds of which were used to fund all or a portion of their investment in Banco BTG Pactual and BTG Pactual Holding. The Banco BTG Pactual Partner Loans mature 20 years after the date of the loan, unless otherwise accelerated as provided below. As of December 31, 2012, the aggregate original principal amount that remained outstanding under such loans (excluding any adjustments to such principal based on the prevailing CDI Rate as described below) was approximately R$497.2 million. Because of the steps taken to ensure that the BTG Pactual partnership model will not change in the future, we expect Banco BTG Pactual to continue to make additional Banco BTG Pactual Partner Loans. See "Our Partnership—Continuation of Purchase/Sale Right."

The Banco BTG Pactual Partner Loans are denominated in *reais*. The outstanding principal of the Banco BTG Pactual Partner Loans will be adjusted from time to time based on the prevailing CDI Rate. The outstanding principal of the Banco BTG Pactual Partner Loans is adjusted by the prevailing CDI Rate on each date that a voluntary or mandatory prepayment is made (or is required to be made).

Banco BTG Pactual Debtor Partners must make mandatory prepayments on the outstanding amounts of the Banco BTG Pactual Partner Loans if any cash distributions or other cash payments are made to the Banco BTG Pactual Debtor Partners on account of their ownership of any shares in Banco BTG Pactual or shares in BTG Pactual Holding or if the Banco BTG Pactual Debtor Partner receives any proceeds from the sale or other disposition of such shares. Banco BTG Pactual Debtor Partners may also voluntarily prepay the Banco BTG Pactual Partner Loans without penalty or premium. In addition, in connection with the payment of annual cash bonuses to Partners, the BTG Pactual Group has generally determined the amount of such bonus that Banco BTG Pactual Debtor Partners are permitted to retain and required Banco BTG Pactual Debtor Partners to use the remainder of such bonus, on an after-tax basis, to pay down outstanding amounts due under their respective Banco BTG Pactual Partner Loans or BTGI Partner Loans (as described above). The amount of such bonuses that may be retained by Banco BTG Pactual Debtor Partners is generally applied equally among all Banco BTG Pactual Debtor Partners of the same class (determined based upon the country in which they are based and the ownership interest they hold in Banco BTG Pactual and/or BTG Pactual Holding), although exceptions were made on case by case basis for Partners demonstrating specific liquidity needs. Although the use of bonuses to pay down outstanding loan balances is not required by the terms of the Banco BTG Pactual Partner Loans, a Partner who fails to comply with such policy understands that as a result of such failure, BTG Pactual Holding may exercise its rights to repurchase the shares owned by such Partner at book value. See "Our Partnership."

The Banco BTG Pactual Partner Loans contain events of default, such as payment defaults, bankruptcy and insolvency, and if the Banco BTG Pactual Debtor Partner grants a lien or other encumbrance (other than permitted liens or encumbrances) on its shares (or ceases to own any shares) of Banco BTG Pactual or BTG Pactual Holding. In the case of an event of default, BTG Loanco may, among other things, and subject to certain limitations, declare any amounts outstanding under the Banco BTG Pactual Partner Loan immediately due and payable.

Each Banco BTG Pactual Debtor Partner pledged all of the shares of Banco BTG Pactual and BTG Pactual Holding owned by such Banco BTG Pactual Debtor to BTG Loanco as security for payment of, and performance of obligations under, the Banco BTG Pactual Partner Loans.

PARTNERSHIP LOAN TRANSACTIONS

BTGI Partner Tax Loans

Prior to the BTG Pactual Group's initial public offering, the BTGI Partnership Agreement provided that each fiscal quarter, we would make distributions to all Partners pro rata in an amount sufficient to satisfy their individual tax liability, if any, on BTGI's income or gain allocated to the Partners for such fiscal quarter. The amount distributed per BTGI limited partnership interest was the same for all Partners and was calculated (i) at the highest tax rate then in effect for residents of London, New York City, São Paulo or Rio de Janeiro, and (ii) assuming that income and/or gain is being taxed under applicable U.S., U.K., or Brazilian tax principles, whichever computation results in the highest income and/or gain being taxed in the hands of a Partner. However, given the relatively small number of Partners that have been required to pay taxes to date on our underlying earnings, we determined, in lieu of making such distributions (which, as described above, would be made on a pro rata basis to all Partners and therefore substantially reduce our capitalization), to make loans, referred to as the BTGI Partner Tax Loans, to certain Partners, in such capacity, the BTGI Tax Debtor Partners, the proceeds of which are used to fund the taxes payable by such BTGI Tax Debtor Partners in connection with their ownership of the BTGI limited partnership interests. The BTGI Partner Tax Loans mature 20 years after the date of the loan, unless otherwise accelerated as provided below. As of December 31, 2012, the aggregate amount outstanding under such loans (including principal and accrued but unpaid interest) was approximately R$45.0 million.

The BTGI Partner Tax Loans are denominated in U.S. dollars. The outstanding principal of the BTGI Partner Tax Loans bears interest at a rate per annum equal to the greater of LIBOR and the applicable Federal rate as in effect under §1274(d) of the Code for short-term loans, compounded semi-annually. On June 1 and December 1 of each year, accrued and unpaid interest through such date (but not including such date) is automatically capitalized and becomes part of the outstanding principal of the BTGI Partner Tax Loans.

BTGI Tax Debtor Partners must make mandatory prepayments on the outstanding amounts of the BTGI Partner Tax Loans if any cash distributions or other cash payments are made to the BTGI Tax Debtor Partners pursuant to the BTGI Partnership Agreement or if the BTGI Tax Debtor Partner receives any proceeds from the sale or other disposition of its BTGI limited partnership interests. BTGI Tax Debtor Partners may also voluntarily prepay the BTGI Partner Tax Loans without penalty or premium.

BTGI Partner Tax Loans contain events of default, such as payment defaults, bankruptcy and insolvency, and if the BTGI Debtor Partner grants a lien or other encumbrance on its BTGI limited partnership interests (other than permitted liens or encumbrances) or ceases to own any of BTGI limited partnership interests. In the case of an event of default, BTGI may, among other things, and subject to certain limitations, declare any amounts outstanding under the BTGI Partner Tax Loan immediately due and payable.

WITHDRAWAL AGREEMENTS

Consortium Withdrawal Agreement

BTGI, BTG Bermuda Holdco and each member of the Consortium and the Participating Partners that hold BTGI Class D partnership interests have entered into a withdrawal agreement, referred to herein as the Consortium Withdrawal Agreement, pursuant to which, subject to certain procedures and restrictions (including the applicable transfer restrictions and lock-up arrangements relating to such BTGI limited partnership interests under the Consortium Shareholders Agreement), such member of the Consortium or Participating Partner that is party thereto, in such capacity referred to herein as a Requesting Investor, may surrender (i) to BTGI for cancellation any or all of the BTGI Class D partnership interests and (ii) to BTG Pactual Participations for cancellation any or all of the BPP Class D shares, in each case, that are held by such Requesting Investor for BPP Class A shares and BPP Class B shares, as described below.

In connection with a surrender of BTGI Class D partnership interests and BPP Class D shares under the Consortium Withdrawal Agreement, BTG Pactual Participations will contribute, through BTG Bermuda Holdco, to BTGI a number of BPP Class A shares and BPP Class B shares (with one-third of such shares being BPP Class A shares and two-thirds of such shares being BPP Class B shares) equal to the number of BTGI Class D partnership interests that are being surrendered by the Requesting Investor, and BTGI will issue to BTG Bermuda Holdco a number of BTGI Class C partnership interests equal to the number of BTGI Class D partnership interests being surrendered. At the closing of the surrender and cancellation transaction under the Consortium Withdrawal Agreement, (i) the Requesting Investor will surrender (a) the BTGI Class D partnership interests to be cancelled (and such interests will be cancelled and cease to be outstanding for all purposes) and (b) the BPP Class D shares to be cancelled (and such shares will be cancelled and cease to be outstanding for all purposes) and (ii) BTGI will transfer to such Requesting Investor the BPP Class A shares and BPP Class B shares received from BTG Bermuda Holdco as described above.

BTG Bermuda Holdco will not have the right, under the Withdrawal Agreements or otherwise, to request the cancellation of BTGI Class C partnership interests held by it and will not be eligible to receive any BPP Class A shares or BPP Class B shares in exchange for its BTGI Class C partnership interests at any time and for any reason.

In connection with our initial public offering, certain shareholders who were selling shareholders in our initial public offering and BTG Pactual Participations entered into an exchange agreement. The result after consummation of all of the transactions contemplated by the exchange agreement was the same as the result that would have occurred if the transactions contemplated by the Consortium Withdrawal Agreement were consummated. Pursuant to the exchange agreement (and related contribution agreement entered into between BTG Pactual Participations, BTG Bermuda Holdco and BTGI) (i) the selling shareholders in our initial public offering (x) exchanged 72,900,000 BTGI Class D partnership interests with BTG Pactual Participations and in exchange the selling shareholders in our initial public offering received 24,300,000 BPP Class A shares and 48,600,000 BPP Class B shares, and (y) surrendered 24,300,000 BPP Class D shares to BTG Pactual Participations for cancellation, and (ii) BTG Pactual Participations indirectly delivered the 72,900,000 BTGI Class D partnership interests to BTGI for cancellation, through BTG Bermuda Holdco, and in exchange, BTGI issued 72,900,000 BTGI Class C partnership interests to BTG Bermuda Holdco. All references in this Prospectus to the Consortium Withdrawal Agreement shall be deemed to include the transactions described above consummated with the selling shareholders in (and after) our initial public offering under the exchange agreement (and related contribution agreement).

As a result of the consummation of the transactions contemplated by the Withdrawal Agreements or related exchange agreement described above, BTG Pactual Participations, indirectly through BTG Bermuda Holdco, has a larger economic interest in BTGI and a larger percentage of the outstanding BTGI limited partnership interests than it had before the initial public offering.

Partner Withdrawal Agreement

The BTGI limited partnership interests held by our Partners as part of the Partnership Equity is subject to substantial transfer restrictions (see "Our Partnership" and "Consortium Shareholders Agreement—Transfer Restrictions–Partnership Equity"). However, to the extent such Partnership Equity is no longer subject to such transfer restrictions, in order to facilitate a transfer that is permitted, BTGI, BTG Bermuda Holdco and each Partner that holds BTGI Class A partnership interests or BTGI Class B partnership interests expect to enter into a withdrawal agreement, referred to herein as the Partner Withdrawal Agreement, and collectively with the Consortium Withdrawal Agreement, the Withdrawal Agreements, pursuant to which, subject to certain procedures and restrictions (including the applicable transfer restrictions and lock-up arrangements relating to such BTGI limited partnership interests under the BTGI Partnership Agreement, the Consortium Shareholders Agreement and as further described under "Our Partnership"), such Partner that is party thereto, in such capacity referred to herein as a Requesting Partner, may surrender to BTGI for cancellation any or all of the BTGI Class A partnership interests and BTGI Class B partnership interests that are held by such Requesting Partner for BPP Class A shares and BPP Class B shares, as described below.

In connection with a surrender of BTGI limited partnership interests under the Partner Withdrawal Agreement, BTG Pactual Participations will contribute, through BTG Bermuda Holdco, to BTGI a number of BPP Class A shares and BPP Class B shares (with one-third of such shares being BPP Class A shares and two-thirds of such shares being BPP Class B shares) equal to the number of BTGI limited partnership interests that are being surrendered by the Requesting Partner, and BTGI will issue to BTG Bermuda Holdco a number of BTGI Class C partnership interests equal to the number of BTGI limited partnership interests being surrendered. At the closing of the surrender and cancellation transaction under the Partner Withdrawal Agreement, the Requesting Partner will surrender the BTGI limited partnership interests to be cancelled (and such interests will be cancelled and cease to be outstanding for all purposes) and BTGI will transfer to such Requesting Partner the BPP Class A shares and BPP Class B shares received from BTG Bermuda Holdco as described above. Under certain circumstances, BTGI may choose to settle a surrender and cancellation request in cash rather than shares of BTG Pactual Participations.

BTGI may, in its sole discretion, without the consent of any Partner, require the Partners, on a pro rata basis, to consummate the transactions described above with respect to any or all of their BTGI Class A partnership interests and BTGI Class B partnership interests.

RELATED PARTY TRANSACTIONS

Banco BTG Pactual and BTG Pactual Participations engage in related party transactions with certain of their affiliates in the ordinary course of their business, including financing facilities and commercial and services agreements. Banco BTG Pactual and BTG Pactual Participations believe that these transactions are carried out on an arms-length basis, in accordance with ordinary market practices.
The related party transactions represents less than 5% of the total interest income of either Banco BTG Pactual or BTG Pactual Participations for the years ended December 31, 2010, 2011 and 2012, except for the credit default swap (CDS) provided by BTGI to Banco BTG Pactual in connection with the sale of one of its investments, BTGP Stigma Participações S.A., which held an indirect interest in STR Projetos e Participações em Recursos Natura. As part of the sale process, BTGI agreed to guarantee certain obligations of the acquirer with Banco BTG Pactual via a CDS which has generated a loss to BTGI in the amount of R$ 254 million for the year ended December 31, 2012.

Summarized below are certain material agreements entered into with related parties.

Transfer of BTG Alpha and BTGI Loan to the Merchant Banking Partnership

On March 31, 2010, BTGI transferred BTG Alpha for R$92.4 million to the Merchant Banking Partnership. The Merchant Banking Partnership is owned by our Partners. On April 1, 2010, the Merchant Banking Partnership started to pay a management fee equal to 2.0% of the total AUM of the Merchant Banking Partnership and a performance fee equal to 20.0% of the return on the investments to the asset management unit of Banco BTG Pactual, which is serving as the investment advisor to such partnership. In addition, BTGI made a series of loans totaling R$92.4 million to the Merchant Banking Partnership to finance its acquisition of BTG Alpha. Such loans were repaid in full in November 2010. However, the terms of the loans continue to provide BTGI with a portion of the profits made on certain of BTG Alpha's investments in the Partners' Merchant Banking Companies. In particular, with respect to certain designated investments that existed at the time of such loans (or that were purchased by means of the capital commitments made with the proceeds of such loans), the Merchant Banking Partnership is required to pay to BTGI the Merchant Banking Equity Kicker. The Merchant Banking Equity Kicker applies only to certain investments made in the past by BTGI that were transferred to the Merchant Banking Partnership. It does not apply to any of our other merchant banking investments, including those made by our private equity fund. The Merchant Banking Equity Kicker is due on May 21, 2015 if all such designated investments have been divested by such date. If any of the applicable investments have not been divested, then the payment of the Merchant Banking Equity Kicker will be postponed until a later date when all divestures are complete (provided that, at the election of the Merchant Banking Partnership, subsequent to May 21, 2015, with respect to undivested assets, the terms of the loans set forth mechanisms to determine the value of these investments at such time for purposes of determining the value of, and paying, the Merchant Banking Equity Kicker). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Acquisitions, Divestures and Corporate Restructurings Affecting the Results of Operations of BTG Pactual—Divesture of BTG Alpha."

Our Investments in Banco BTG Pactual

In the ordinary course of our business, BTGI maintains bank accounts with, and have invested in certain financial products offered by, Banco BTG Pactual and certain of its subsidiaries, including medium-term notes (acquired in the secondary market), demand deposits and time deposits. In addition, we have entered into several financial derivative contracts with Banco BTG Pactual. As of December 31, 2012, our net position with respect to such activities resulted in a liability of R$30.0 million.

Asset Management Services

In the ordinary course of its business, Banco BTG Pactual provides a broad range of asset management services to us. After our sale of BTG Alpha, virtually all of our merchant banking investments and investments in multi-asset funds are managed by BTG Pactual Asset Management S.A. DTVM, a wholly owned subsidiary of Banco BTG Pactual. In connection with these services, Banco BTG Pactual receives management fees, which are calculated as a percentage of asset value (that may vary by asset class) and committed capital, invested capital and total gross acquisition cost with respect to the funds and investment vehicles in which we invest, and performance fees, when returns of these funds and vehicles exceed specified benchmarks or other performance targets. Banco BTG Pactual receives these fees from us and other investors investing in the same funds or vehicles in accordance with their respective interests in the funds. With respect to exclusive funds created for us, we believe that the fees we are charged are in line with the fees charged by Banco BTG Pactual for exclusive funds created for other clients. For the year ended December 31, 2012, Banco BTG Pactual recorded an aggregate revenue of R$217.8 million in asset management fees from us and R$16.4 million, in asset management fees from the Merchant Banking Partnership.

Partner Non-Competition Agreements

Please see the section entitled "Our Partnership—Partner Non-Competition Agreements" for a description of these agreements.

Partner Brazil Shareholders Agreement

Please see the section entitled "Our Partnership—Shareholder Agreements—Partner Brazil Shareholders Agreement" for a description of this agreement.

Consortium Shareholders Agreement

Please see the section entitled "Consortium Shareholders Agreement" for a description of this agreement.

BTGI Partnership Agreement

Please see the section entitled "BTGI Partnership Agreement" for a description of this agreement.

Withdrawal Agreements

Please see the section entitled "Withdrawal Agreements" for a description of these agreements.

Related Party Loans

Please see the section entitled "Partnership Loan Transactions" for a description of these agreements.

BTG Pactual Holding's Guarantees

In February 2013, BTGI entered into a guarantee agreement with BTG Pactual Holding in connection with the Citibank loan and BAML loan. In consideration for BTG Pactual Holding providing the guarantee for both of these loans, we agreed to pay BTG Pactual Holding an amount equivalent to 0.35% of the principal value of each loan.

BTG Pactual Pharma Participações S.A., a portfolio company of Banco BTG Pactual's private equity business in which BTGI also directly invest, issued non-convertible debentures on August 3, 2012 in the amount of R$157.0 million due in August 2017 and indexed at the CDI rate. These debentures are unconditionally and irrevocably guaranteed by BTG Pactual Holding S.A.

In addition, BTGI has entered into a guarantee agreement with BTG Pactual Holding in connection with the Notes issued in April 2013 in the amount of US$700.0 million maturing in April 2018 offered under this Programme (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—BTGI (and consequently, BTG Pactual Participations) Indebtedness").

BTGI Guarantee to Banco BTG Pactual Loans

BTGI's former subsidiary BTGP Stigma Participações S.A. held an ownership interest in STR Projetos e Participações em Recursos Naturais. We sold our equity stake in BTGP Stigma Participações S.A. for R$699 million in a transaction executed on July 4, 2012 on the Brazilian stock exchange. Concurrently with this transaction, we guaranteed certain payment obligations of Petra Energia S.A. (a company belonging to the STR Group) under loans granted by Banco BTG Pactual. This guarantee was effected through credit default swaps (CDS) recorded at a fair value of R$254 million as of December 31, 2012.

DESCRIPTION OF CAPITAL STOCK

Banco BTG Pactual

The following is a summary of certain significant provisions of Banco BTG Pactual's by-laws, Brazilian Corporations Law and the rules and regulations of the CVM, including details of Banco BTG Pactual's share capital, management, reporting requirements, as well as other corporate aspects applying to Banco BTG Pactual. Under Brazilian law, the by-laws (*estatuto social*) are the principal governing document of a corporation (*sociedade por ações*). A copy of the by-laws filed with and approved by the Central Bank is attached to this Prospectus.

This description does not purport to be complete and is subject to, and qualified in its entirety by reference to, Banco BTG Pactual's by-laws, Brazilian Corporations Law, the rules and regulations of the CVM and the listing rules of BM&FBOVESPA. This summary should not be considered as legal advice regarding these matters. Prospective investors are urged to carefully review the by-laws of Banco BTG Pactual in their entirety as they, and not this description, control the rights of a registered holder of shares of Banco BTG Pactual.

The rights of holders of GDSs are governed by the GDS deposit agreement and such rights differ in a number of important respects from the rights of registered holders of Banco common shares and Banco preferred shares. See "Description of Units, BDRs and GDSs—Global Depositary Shares (GDSs)."

General

Banco BTG Pactual S.A. is a publicly held company, incorporated under the laws of Brazil (*sociedade por ações de capital aberto*). Its registered office is located in the city of Rio de Janeiro, state of Rio de Janeiro, at Praia de Botafogo No. 501, 6th Floor. The commercial name of Banco BTG Pactual S.A is "Banco BTG Pactual" and may be referred to, from time to time, as BTG Pactual. Documentation of Banco BTG Pactual's incorporation is duly registered with the *Junta Comercial do Estado do Rio de Janeiro* (Board of Trade of the State of Rio de Janeiro), or JUCERJ, under NIRE (Registry Number) No. 33.300.000.402. Prior commercial names of Banco BTG Pactual S.A. include Aplicap S.A. DTVM; Pactual S.A. Distribuidora de Títulos e Valores Mobiliários; Pactual S.A. Banco de Investimentos; Banco Pactual S.A.; and Banco UBS Pactual S.A. Banco BTG Pactual S.A. was incorporated on January 18, 1979 and its corporate life is indefinite. Its principal telephone is: +55 11 3383-2000.

Corporate Purposes

Banco BTG Pactual carries out active, passive and accessory transactions involving its authorized portfolios (commercial, investment, leasing, real estate, credit, financing and investments), including exchange transactions and management of securities portfolios, in accordance with applicable law. In addition, Banco BTG Pactual may participate, as shareholder or quotaholder, in other companies in Brazil and abroad, notwithstanding its corporate purpose, including financial institutions that are authorized by the Central Bank. The corporate purpose of Banco BTG Pactual is set forth in Article III of its by-laws.

Restrictions on Certain Transactions Outside the Corporate Purposes

Brazilian Corporations Law determines that Banco BTG Pactual is expressly prohibited from carrying out any transactions that are not related to its corporate purposes, including pledges, sureties, endorsement or any guarantee not related to its corporate purposes or not in compliance with its by-laws, except for those already in effect.

Share Capital

As of the date of this Prospectus, Banco BTG Pactual's capital stock was R$6,406,862,731.03, fully subscribed and paid-in, represented by 2,714,902,212 shares, all nominative, in book-entry form and without par value, consisting of 1,390,671,404 Banco common shares, 508,380,404 Banco Series A preferred shares and 815,850,404 Banco Series B preferred shares. Under Banco BTG Pactual's by-laws, it may increase its capital stock up to the authorized limit (10,000,000,000 shares), irrespective of any amendments to its by-laws, upon a resolution of its board of directors; provided that the total number of preferred shares cannot exceed 50% of the total number of its outstanding shares.

Within the limit of Banco BTG Pactual's authorized capital and according to any plan approved at a shareholders' meeting, it may grant stock options to its directors, officers and employees of Banco BTG Pactual as well as individuals who render services to it or to its subsidiaries, and shareholders shall not have preemptive rights (as described below) with respect to the grant or exercise of the stock options.

Banco Common Shares

Each Banco common share entitles its owner to one vote at any annual or extraordinary shareholders' meeting.

Holders of Banco common shares, other than the controlling shareholder, are entitled to tag-along rights in the event of the disposition of Banco BTG Pactual's control in one or a series of successive transactions, at a price per share at least equal to 80% of the price paid per share to the controlling shareholder. Holders of Banco common shares, so long as they are included in a Brazilian Unit deposited with the Brazilian Unit depositary, are also entitled to tag-along rights in connection with certain change of control transactions that we believe represent a true change of control of Banco BTG Pactual pursuant to which such holders of Banco common shares would be entitled to receive, subject to certain conditions, 100% of the price paid per Banco common share in such change of control transaction. See "—Special Tender Offer Rights under Control Acquisition Events—100% Tender Offer Required by Banco BTG Pactual's By-laws."

Banco Preferred Shares

Banco preferred shares do not have voting rights at any annual or extraordinary shareholders' meetings but are entitled to distributions of profits under the same terms and conditions as the common shares.

Banco Series A preferred shares, except if owned by a controlling shareholder, are entitled to tag-along rights in the event of the disposition of Banco BTG Pactual's control in one or a series of successive transactions, at a price per share at least equal to 80% of the price paid per share to the controlling shareholder. In addition, holders of Banco Series A preferred shares, so long as they are included in a Brazilian Unit deposited with the Brazilian Unit depositary, are also entitled to tag-along rights in connection with certain change of control transactions that we believe represent a true change of control of Banco BTG Pactual pursuant to which such holders of Banco Series A preferred shares would be entitled to receive, subject to certain conditions, 100% of the price paid per Banco common share in such change of control transaction. See "—Special Tender Offer Rights under Control Acquisition Events—100% Tender Offer Required by Banco BTG Pactual's By-laws."

Brazilian Corporations Law sets forth that shares without voting rights or shares with restricted rights, including the Banco preferred shares, shall be granted unrestricted voting rights if the issuer fails to distribute, during three consecutive fiscal years, the minimum dividend required pursuant to the Banco BTG Pactual by-laws, until the respective distributions are made.

Under Brazilian Corporations Law, any change in the preferences, advantages, redemption or amortization conditions on rights of the holders of a given class of preferred shares, or any change that results in the creation of a more favored class of preferred shares, must be approved by a majority of the holders of such class of preferred shareholders voting as a single class.

Banco Series B preferred shares are convertible into either Banco common shares or Banco Series A preferred shares as follows:

- Banco Series B preferred shares are convertible into Banco Series A preferred shares in order to facilitate the sale of such Banco preferred shares to a third party; and
- at the request of the holder of Banco BTG Pactual, including in connection with any issuance of Banco common shares and Banco preferred shares (or any security convertible into or exchangeable into such shares), BTG Pactual Holding will exercise its right to convert up to a number of Banco Series B preferred shares held by it into Banco common shares in order to ensure that the number of Banco common shares continue to be no less than 50% of the total number of Banco common shares and Banco preferred shares issued and outstanding at any given time (see "Our Partnership—Partner Brazil Shareholders Agreement—Ownership of Banco Common Shares by BTG Pactual Holding").

Rights of any Class of Shares

According to Brazilian Corporations Law, neither Banco BTG Pactual’s by-laws nor actions taken at a shareholders’ meeting may deprive a shareholder of the following rights:

- the right to participate in the distribution of profits;
- the right to participate, in proportion to the holder’s share of Banco BTG Pactual’s capital stock, in the distribution of any remaining assets in the event of liquidation of Banco BTG Pactual;
- the right to hold Banco BTG Pactual’s management responsible, in accordance with the provisions of Brazilian Corporations Law;
- preemptive rights in the event of a subscription of shares or subscription warrants, except in certain specific circumstances, as permitted under Brazilian Corporations Law (see "—Preemptive Rights" below);
- the right to compel the establishment of Banco BTG Pactual’s fiscal council, which shall be required upon the request at a general shareholders’ meeting of holders of at least 10% of the Banco common shares or 5% of the Banco preferred shares; and
- the right to withdraw in the cases provided for in Brazilian Corporations Law, including in the event of merger into another company or consolidation (see "—Withdrawal and Redemption Rights" below).

According to Brazilian Corporations Law, (1) holders of common shares that are neither a controlling shareholder nor part of a control block which individually or collectively represent 15% of the Brazilian issuer’s common capital stock, and (2) holders of preferred shares without voting rights (or with restricted voting rights, such as Banco Series A preferred shares) collectively representing at least 10% of the Brazilian issuer’s total capital stock, may appoint one member of the board of directors and his or her alternate at any annual shareholders’ meeting. If either the common or preferred shares held by the non-controlling shareholders are insufficient to achieve these percentages, they may combine their shareholdings to appoint one member of the Brazilian issuer’s board of directors and his or her alternate so long as such combined shareholding represents at least 10% of the Brazilian issuer’s total share capital. The foregoing rights are exercisable only by holders of shares that have held them for a minimum of three months before the date of the annual shareholders’ meeting.

Treasury Stock

As of the date of this Prospectus, Banco BTG Pactual does not have any treasury stock.

Shareholders’ Agreement

See "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement" and "Consortium Shareholders Agreement" for a description of the shareholders agreements entered into by Banco BTG Pactual.

DESCRIPTION OF CAPITAL STOCK

Shareholders' Meetings

Pursuant to Brazilian Corporations Law, Banco BTG Pactual's shareholders have the power to take any action and approve any resolutions related to its activities at shareholders' meetings, provided that such meetings have been convened pursuant to the terms and procedures described in Brazilian Corporations Law and in Banco BTG Pactual's by-laws. It is the exclusive prerogative of the annual shareholders' meeting (*assembléia geral ordinária*) to review management's account of corporate activities, approve its financial statements, and determine the allocation of its net income and the payment of dividends with respect to the previous fiscal year.

An extraordinary shareholders' meeting may be held at any time, including concurrently with the annual shareholders' meeting. Under Brazilian Corporations Law, the following actions, among others, may be taken only at a shareholders' meeting:

- amendment of Banco BTG Pactual's by-laws;
- approval of Banco BTG Pactual's audited financial statements;
- suspension of the rights of a shareholder who has violated Brazilian Corporations Law or Banco BTG Pactual's by-laws;
- approval of appraisal reports of assets offered by a shareholder in consideration for the subscription of shares of Banco BTG Pactual's capital stock;
- approval of transactions involving Banco BTG Pactual's transformation into a limited liability company or into any other type of company under the Brazilian corporate legislation;
- approval of any consolidation, merger or spin-off;
- approval of Banco BTG Pactual's dissolution and liquidation, and the appointment and removal of any liquidator and review of the reports prepared by the liquidator describing its acts, transactions and final accounts, and election of the members of its fiscal council, which shall be installed in the event of liquidation;
- authorization to file for bankruptcy, or file for judicial or extrajudicial restructuring, as well as to approve any decision concerning how shareholders should exercise voting rights in shareholders' meetings of Banco BTG Pactual's subsidiaries, which are convened to deliberate on actions related to the filing of a petition for bankruptcy or judicial or extrajudicial restructuring;
- election and removal of the members of Banco BTG Pactual's board of directors and fiscal council;
- determination of the aggregate compensation for the members of the board of directors and executive board, as well as the aggregate compensation of the members of the fiscal council, if there be one;
- approval of the establishment of stock option plans for Banco BTG Pactual's directors, officers or employees of Banco BTG Pactual, or individuals rendering services to Banco BTG Pactual or to Banco BTG Pactual's direct or indirect subsidiaries;
- approval of the distribution of Banco BTG Pactual's profits and the payment of dividends and interest attributable to shareholders' equity in accordance with a proposal submitted by its management; and
- authorization of Banco BTG Pactual to initiate the process of going private.

Quorum; Required Vote

As a general rule, Brazilian Corporations Law provides that a quorum for purposes of a shareholders' meeting shall consist of shareholders representing at least 25% of Banco BTG Pactual's voting capital stock on the first call, and if that quorum is not reached, any percentage of Banco BTG Pactual's voting capital stock on the second call.

DESCRIPTION OF CAPITAL STOCK

Generally, the affirmative vote of shareholders representing at least the majority of Banco BTG Pactual's issued and outstanding common shares present in person or represented by a proxy at a shareholders' meeting is required to approve any matter. Non-voting shares are disregarded for purposes of calculating a majority. However, the affirmative vote of shareholders representing at least 50% of Banco BTG Pactual's issued and outstanding common shares is required to approve the following:

- a modification of preferences, privileges or conditions of redemption or amortization conferred upon one or more classes of preferred shares, or creation of a new, more favored, class of preferred shares;
- a reduction in the percentage of minimum mandatory dividends to be distributed to shareholders as provided in Banco BTG Pactual's by-laws;
- any merger into or consolidation with another company;
- Banco BTG Pactual's participation in a corporate group (*grupo de sociedades*, as defined in Brazilian Corporations Law);
- a change in Banco BTG Pactual's corporate purpose;
- application for cancellation of any voluntary liquidation;
- any spin-off; and
- Banco BTG Pactual's dissolution.

For publicly held corporations with a significant free float, the CVM may authorize a reduction of the quorum requirements if the companies' three previous shareholders' meetings were attended by common shareholders representing less than 50% of its total voting capital stock.

Notice of a Shareholders' Meeting

Brazilian Corporations Law requires that general shareholders' meetings be called by means of at least three publications in the Official Gazette of the State of Rio de Janeiro (*Diário Oficial do Estado do Rio de Janeiro*), and in another widely circulated newspaper in the same state (Banco BTG Pactual currently uses the newspaper *Monitor Mercantil*). The first notice must be published no later than 15 days before the date of the meeting, and the second, no later than eight days before the date of the meeting.

In addition, under certain circumstances, the CVM may require that the first notice be published 30 days in advance of the shareholders' meeting. The CVM may also, upon the request of any shareholder, suspend for up to 15 days the process of calling for a particular extraordinary shareholders' meeting in order to understand and analyze the proposals to be submitted at the meeting. In any event, notices of shareholders' meetings must include the place, date, time and the agenda of the meeting and, in the case of a proposed amendment to Banco BTG Pactual's by-laws, a description of the proposed amendment.

Location of the Shareholders' Meetings

Banco BTG Pactual shareholders' meetings will take place at the registered office of Banco BTG Pactual in the City Rio de Janeiro, State of Rio de Janeiro. Brazilian Corporations Law allows Banco BTG Pactual's shareholders to hold general meetings outside of the registered office in the event of *force majeure*, provided certain requirements are observed.

Who May Call a Shareholders' Meeting

In addition to the board of directors, shareholders' meetings may also be called:

- by any shareholder, whenever the board of directors fails to call a general shareholders' meeting for more than 60 days, which is required to be called pursuant to Brazilian Corporations Law or the by-laws of Banco BTG Pactual;

- by shareholders holding at least 5% of the total share capital of Banco BTG Pactual, if its board of directors fails to call a meeting within eight days after receipt of such a request to call a meeting, provided that such request must indicate the proposed agenda and must be justifiable;
- by shareholders holding at least 5% of the Banco common shares or shareholders holding at least 5% of Banco preferred shares, if its board of directors fails to call a general shareholders' meeting within eight days after receipt of a request to establish a fiscal council; and
- by the fiscal council, if there is one in place, if its board of directors delays calling an annual shareholders' meeting for more than one month. The fiscal council may also call an extraordinary general shareholders' meeting any time if it believes that there are significant or urgent matters to be addressed.

Conditions of Admission to a Shareholders' Meeting

Shareholders attending a shareholders' meeting must produce evidence of their status as a shareholder and evidence that they hold shares entitled to vote at such meeting, as required by Brazilian Corporations Law.

A shareholder may be represented at a shareholders' meeting by a proxy appointed less than one year before the meeting, which proxy must be a shareholder, a corporate officer, a lawyer or, in the case of a publicly traded company, such as Banco BTG Pactual, a financial institution. An investment fund must be represented by its fund officer or a proxy. Banco BTG Pactual may require, in the notice of any shareholders' meeting, that the proxy instrument be deposited at its head office 24 hours in advance of the date the general shareholders' meeting is scheduled to take place.

Management

Pursuant to Banco BTG Pactual's by-laws, and in accordance with Brazilian Corporations Law, Banco BTG Pactual is governed by a board of directors (*conselho de administração*) and a board of executive officers (*diretoria*). As of the date of this Prospectus, the board of directors has ten directors, four of whom are independent directors. Banco BTG Pactual's board of officers has thirteen members, one of whom is still pending Central Bank approval. Banco BTG Pactual may also have a fiscal council, an audit committee and a compensation committee.

Duties and Responsibilities of the Board of Directors of Banco BTG Pactual

As set forth in the by-laws of Banco BTG Pactual, the board of directors of Banco BTG Pactual is responsible for, among other things:

- determining the general direction of Banco BTG Pactual's business;
- electing and removing members of Banco BTG Pactual's board of executive officers, and defining their responsibilities, subject to the terms of Banco BTG Pactual's by-laws;
- overseeing the activities of Banco BTG Pactual's board of executive officers, including but not limited to the examination of Banco BTG Pactual's books and records, and evaluating agreements executed or to be executed by Banco BTG Pactual;
- calling general meetings, through its chairman, whenever required, or as provided by Article 123 of Law 6404 of Brazilian Corporations Law;
- reviewing the management reports and the accounts of Banco BTG Pactual, as presented by its officers, and deciding to submit such reports and accounts at the general shareholders' meeting of Banco BTG Pactual;

- selecting and removing the independent auditors and members of the audit and compensation committees and filling vacancies in such committees as a result of the death, resignation or removal of any member;
- approving the internal policies of the audit and compensation committees, including matters of remuneration, and calling upon members of such committees to provide clarity with respect to any actions taken;
- approving the issuance of shares or warrants, including GDSs, ADSs, Units or any other securities, certificates or receipts representing the above (which may be in the form of Units), through public or private subscription, within the limits of Banco BTG Pactual's authorized capital, including matters related to: (i) the quantity, kind and class of the securities to be issued; (ii) the issuance price and related criteria; (iii) in the case of public issuances, whether to grant an option for the purpose of price stabilization and determining the public offering schedule; (iv) the granting of powers enabling directors to act as required to implement an issuance of securities; (v) certain matters with respect to the exercise of preemptive rights, including the suspension of such rights and the shortening of the term permitted for their exercise, in all cases subject to applicable law; and (vi) other terms and conditions relevant to the issuance of securities;
- approving the sale, repurchase, or exchange of the shares issued by Banco BTG Pactual, including for the purpose of cancellation, disposal or to keep in treasury, subject to applicable law and the provisions of any shareholders' agreements;
- approving any acquisition or series of related acquisitions by Banco BTG Pactual outside the normal course of Banco BTG Pactual's business, in any form, including a joint venture, investment or reorganization with an unaffiliated entity, or acquisition of any securities or assets of any unaffiliated entity involving an amount in *reais* in excess of US$300,000,000;
- approving any incurrence of debt by Banco BTG Pactual, in one transaction or series of related transactions (including any guaranty or surety), which has a value in *reais* in excess of US$300,000,000, unless such incurrence of debt is part of the normal course of business of Banco BTG Pactual;
- approving any sale or series of related sales of assets by Banco BTG Pactual with a value in reais in excess of US$300,000,000, unless such sale or sales is part of the normal course of business of Banco BTG Pactual;
- granting stock options, pursuant to the guidelines established at a general shareholders' meeting of Banco BTG Pactual, for the benefit of Banco BTG Pactual's management and employees, including those of its controlled entities, as well as to individuals who render services to it and/or to companies under its control;
- establishing and approving the compensation, indirect benefits and other incentives of each member of Banco BTG Pactual's board of directors and board of executive officers within the limits of aggregate compensation established at the general shareholders' meetings of Banco BTG Pactual;
- presenting proposals at the general shareholders' meetings of Banco BTG Pactual for the dissolution, merger, spin-off or consolidation of Banco BTG Pactual;
- approving the distribution of interim dividends on the account of accrued profits or profit reserves existing in the previous annual or semi-annual financial statements and determining the terms and conditions for the payment of such dividends, subject to limitations established under applicable laws;
- deciding to prepare monthly balance sheets and to distribute any dividends on the basis of such balance sheets, specifying the terms and conditions for the payment of such dividends, subject to limitations established by applicable laws;
- approving payments or credits of interest on Banco BTG Pactual's own capital for the benefit of its shareholders established under applicable laws;

- approving the retention of financial institutions or similar institutions to serve as custodian of Banco BTG Pactual's securities and similar functions;
- approving policies regarding the disclosure of information to the market;
- approving decisions to enter into new lines of business not currently carried out by Banco BTG Pactual or any of its subsidiaries;
- deciding on matters submitted by Banco BTG Pactual's board of executive officers and calling a joint meeting of board members and executive officers, when necessary;
- determining (i) the composition of each Unit, which may include common shares and/or preferred shares issued by Banco BTG Pactual, including in the form of foreign depositary receipts, and/or shares issued by BTG Pactual Participations, including in the form of BDRs; (ii) the corresponding number or fractions of securities underlying the Units; and (iii) the rules related to such Units, subject to the provisions of the by-laws of Banco BTG Pactual, and, as applicable, acting jointly with BTG Pactual Participations; and
- complying with and ensuring compliance with the by-laws of Banco BTG Pactual at its general shareholders' meetings.

For further information on Banco BTG Pactual's board of directors, see "Management—Banco BTG Pactual—Board of Directors."

Transactions in Which Directors Have an Interest

Brazilian Corporations Law prohibits a director from:

- performing any charitable act at Banco BTG Pactual's expense, except for such reasonable charitable acts for the benefit of employees or of the community in which Banco BTG Pactual participates, subject to approval by its board of directors or board of officers;
- by virtue of his or her position, receiving any type of direct or indirect personal advantage from third parties without authorization in the by-laws or from a shareholders' meeting;
- borrowing money or any corporate assets from Banco BTG Pactual, or using its property, services or credits for his or her own benefit or for the benefit of a company in which he or she has an interest or of a third party, without prior written authorization of the shareholders or board of directors;
- taking part in any corporate transaction in which he or she has an interest that conflicts with an interest of Banco BTG Pactual, or in the decision making process with respect to such matter;
- using, for the director's or officer's own benefit or for the benefit of third parties, commercial opportunities known to him or her as a result of his or her participation in Banco BTG Pactual's management;
- failing to exercise or protect Banco BTG Pactual's rights or, for the purposes of obtaining benefits for himself or herself or third parties, foregoing business opportunities available to Banco BTG Pactual; or
- purchasing, for resale, assets or rights known to be of interest to Banco BTG Pactual, or necessary for its activities, or that Banco BTG Pactual may intend to acquire.

Duties and Responsibilities of the Executive Officers of Banco BTG Pactual

As set forth in the by-laws of Banco BTG Pactual, the board of executive officers of Banco BTG Pactual is responsible for, among other things:

- complying with and ensuring compliance with the by-laws of Banco BTG Pactual at its general shareholders' meetings and meetings of its board of directors;
- supervising the operations of Banco BTG Pactual;
- coordinating Banco BTG Pactual's public relations;

- preparing the annual and semi-annual financial statements for review by the audit committee and the board of directors, as well as any other financial statements or balance sheets prepared with respect to shorter periods;
- establishing the functions of Banco BTG Pactual officers and guiding them in the fulfillment of their respective responsibilities; and
- defining rules and procedures with respect to the participation of employees in Banco BTG Pactual's profits.

For further information on Banco BTG Pactual's board of directors, see "Management—Banco BTG Pactual—Board of Executive Officers."

Withdrawal and Redemption Rights

Withdrawal Rights

Any shareholders of Banco BTG Pactual who disagree with certain specific decisions made in a shareholders' meeting, as set forth below, have the right to withdraw from Banco BTG Pactual and receive reimbursement for the value of their shares.

Pursuant to Brazilian Corporations Law, the right of withdrawal may be exercised under the following circumstances:

- a disproportional increase in a class of existing preferred shares vis-à-vis the other classes of preferred shares, unless such disproportional increase is already provided or authorized by the by-laws;
- a modification of preferences, privileges or conditions of redemption or amortization conferred upon one or more classes of preferred shares, or creation of a new, favored class of preferred shares;
- any spin-off of assets and/or liabilities of Banco BTG Pactual, except as described below;
- a reduction of the minimum mandatory dividends, as established in Banco BTG Pactual's by-laws;
- a change in the corporate purpose of Banco BTG Pactual;
- in connection with a "share merge" (*incorporação de ações*), by the holders of merged shares, in accordance with Article 252 of Brazilian Corporations Law;
- the acquisition by Banco BTG Pactual of the control of another company for a price that exceeds the limits established in paragraph two of Article 256 of Brazilian Corporations Law;
- a change in the corporate form of Banco BTG Pactual;
- a merger of Banco BTG Pactual into or consolidation with another company; or
- Banco BTG Pactual's participation in a corporate group (*grupo de sociedades*), as defined in Brazilian Corporations Law).

Under Brazilian Corporations Law, a spin-off transaction will not trigger withdrawal rights, unless it results in:

- a change to Banco BTG Pactual's corporate purpose, unless the assets and liabilities spun-off were transferred to a company whose primary activities are consistent with the corporate purpose of Banco BTG Pactual;
- a reduction to the minimum mandatory dividends, as established in Banco BTG Pactual's by-laws;
- Banco BTG Pactual's participation in a corporate group (*grupo de sociedades*), as defined in Brazilian Corporations Law; or
- a modification of preferences, privileges or conditions of redemption or amortization conferred upon one or more classes of preferred shares, or creation of a new, more favored, class of preferred shares.

With respect to the first two items listed above, only holders of the affected type or class of shares are entitled to withdrawal rights.

Furthermore, a shareholder will not be entitled to withdraw in cases involving (i) the merger of Banco BTG Pactual into or consolidation with another company, (ii) Banco BTG Pactual's participation in a corporate group (*grupo de sociedades*), (iii) a "share merge" (*incorporação de ações*), or (iv) the acquisition by Banco BTG Pactual of control of another company for a price that exceeds the limits established in Brazilian Corporations Law, in each case, if Banco BTG Pactual's shares: (a) are "liquid," that is, are part of BM&FBOVESPA Index or other stock exchange index (as defined by the CVM), and (b) are "dispersed," meaning that the controlling shareholder or their affiliates hold less than 50% of Banco BTG Pactual's share capital.

Notwithstanding the foregoing, the shareholders of Banco BTG Pactual will have the right to withdraw if, following a merger, consolidation or spin-off transaction, the surviving company fails to register as a publicly held company within 120 days after the date of the shareholders' meeting that approves the relevant transaction. In such case, the right to withdraw expires 30 days after the expiration of the 120–day period set forth above. Additionally, Banco BTG Pactual is entitled to reconsider any such action that may give rise to withdrawal rights for ten days after the expiration of this period, if Banco BTG Pactual believes that the payment of the withdrawal amount would jeopardize its financial condition.

Article 45 of Brazilian Corporations Law describes the amounts to be paid to shareholders who exercise their withdrawal rights. As a general rule, the withdrawing shareholder will receive the net book value of the shares, based on the most recent audited balance sheet approved by Banco BTG Pactual's shareholders, or, if lower, the economic value of the shares, based on an evaluation report prepared in accordance with Brazilian Corporations Law (collectively, the "Original Balance Sheet"). However, if the resolution giving rise to withdrawal rights is passed more than 60 days after the date of the most recent balance sheet of Banco BTG Pactual approved by its shareholders, withdrawing shareholders may request that the shares be valued in accordance with a new balance sheet approved by Banco BTG Pactual's shareholders, which shall be dated no more than 60 days prior to the date of the resolution (the "New Balance Sheet"). In such case, Banco BTG Pactual is obligated to pay 80% of the dissenting share value according to the Original Balance Sheet, and must pay the remaining balance (based on the New Balance Sheet) within 120 days following the date on which the New Balance Sheet has been approved.

Redemption

According to Brazilian Corporations Law, Banco BTG Pactual is permitted to compel redemption of its shares upon resolution of shareholders holding at least 50% of the class of shares proposed to be redeemed. The redemption costs may be paid out of Banco BTG Pactual's profits, reserve of profits, or reserve of capital stock. In case of a partial redemption of a class of shares, the shares subject to redemption would be chosen by lottery.

Preemptive Rights

Except as described below, shareholders of Banco BTG Pactual have a general preemptive right to subscribe for shares in any capital increase, or issuance of subscription warrants, in each case, according to the proportion of their shareholdings as described in Section 171 of Brazilian Corporations Law. A period of at least 30 days following the publication of notice of the capital increase is required so that shareholders may determine whether to exercise preemptive rights. However, under the terms of Brazilian Corporations Law and Banco BTG Pactual's by-laws, the board of directors may exclude preemptive rights or reduce the exercise period with respect to which preemptive rights may be exercised if such capital increase (up to the authorized capital) or issuance is effected on a stock exchange through either a public tender offer or through an exchange of shares the purpose of which is to acquire control of a publicly held corporation.

DESCRIPTION OF CAPITAL STOCK

Registration of Banco BTG Pactual shares

All Banco Common shares and Banco Series A preferred shares are held in book-entry form with Banco Bradesco S.A. Transfer of the Banco common shares and Banco Series A preferred shares is carried out by means of book entry by Banco Bradesco S.A. by debiting in its accounting system the share account of the seller and crediting the share account of the purchaser, upon either a written order or a judicial authorization or order of transfer. Shareholders may be charged a fee for such deposit services.

Special Tender Offer Rights under Control Acquisition Events

Tender Offer Required under Brazilian Law

Pursuant to the requirements of Brazilian Corporations Law and the CVM, the controlling shareholder of Banco BTG Pactual may not, directly or indirectly, transfer control of Banco BTG Pactual (whether in one transactions or a series of related transactions) to any person, referred to herein as a "Statutory Control Buyer," unless the Statutory Control Buyer agrees to make a public offer to acquire all Banco common shares and all Banco Series A preferred shares outstanding at a price per share that is at least 80% of the price per Banco common share received by the controlling shareholder (referred to herein as "Statutory Brazilian Tender Offer"). Such mandatory public offer shall be filed with the CVM within 30 days of the consummation of the transaction that resulted in the transfer of control, and conducted otherwise in accordance with Brazilian Corporations Law and the applicable rules and regulations of the CVM.

100% Tender Offer Required by Banco BTG Pactual's By-laws

In addition to the rights to participate in the Statutory Brazilian Tender Offer described above, Banco BTG Pactual has elected to include provisions in its by-laws that provide holders of Banco common shares and Banco preferred shares rights to participate in certain transactions described below, which we consider to represent a true change of control of Banco BTG Pactual, but only if such shares are held as part of Brazilian Units that are deposited with the Brazilian Unit depositary at the moment the change of control transaction is publicly announced. As further described in the by-laws European Unit holders will not be entitled to these special tender offer rights, including if they exchange their European Units for Brazilian Units following the announcement of such transaction. In addition, if any Brazilian Units are voluntarily cancelled by any holder after the announcement of the transaction, the underlying shares will not be entitled to these special tender offer rights, except in the case that Banco BTG Pactual notifies the depositary of the Brazilian Units that such cancellation is actually necessary in order for the underlying shares held as part of the Brazilian Unit to participate in the 100% Tender Offer (as described below) in the event that the transaction giving rise to the 100% Tender Offer does not also involve a Bermuda Change of Control (see "Description of Capital Stock—BTG Pactual Participations—Mandatory Tender Offer—Tender Offer Required in connection with Transfer of Control to Third Party Control Buyer").

These provisions of the by-laws may not be amended or modified without the approval of both (i) a majority of the Banco common shares outstanding, including those Banco common shares held, directly or indirectly, by the Partners, Participating Partners or BTG Pactual Holding and (ii) a majority of the total Banco common shares and Banco preferred shares outstanding, excluding any such shares owned, directly or indirectly, by the Partners, Participating Partners or BTG Pactual Holding. Below is a summary of such provisions:

For purposes of the by-law provisions of Banco BTG Pactual relating to the 100% Tender Offer:

- "Change of Control Triggering 100% Tender Offer Transaction" means a transaction or series of related transactions pursuant to which any Third Party Control Buyer acquires, whether directly or indirectly, more than 50% of the outstanding Banco common shares from our current or future Partners (including any Partner Holding Company), provided that acquisitions and dispositions of equity securities pursuant to Reallocation Transfers (see "Our Partnership") will not be included in any determination as to whether a Change of Control Triggering 100% Tender Offer Transaction has occurred, and in no event will any one or more Reallocation Transfers be deemed to be a Change of Control Triggering 100% Tender Offer Transaction;

- "Partner Holding Company" means any entity that is wholly-owned by the Partners as a group; and
- "Third Party Control Buyer" means any person or group that is or are not employees, officers, consultants, Partners or other individuals that provide full-time services to BTG Pactual.

Pursuant to the terms of the by-laws of Banco BTG Pactual (and without limiting the shareholders' rights to participate in a Statutory Brazilian Tender Offer, as described above), our current or future Partners (including any Partner Holding Company) may not, in any transaction or series of related transactions, effect a Change of Control Triggering 100% Tender Offer Transaction, unless the terms and conditions thereof require the Third Party Control Buyer to make a tender offer (which we refer to as the "100% Tender Offer") to acquire 100% of the outstanding Banco common shares and Banco preferred shares that are held as part of a Brazilian Unit at the relevant time as described above at a price per share that is at least 100% of the price per share and otherwise upon the same terms and conditions as are received by the Partners, directly or indirectly, in the Change of Control Triggering 100% Tender Offer Transaction, as described in more detail below. Such 100% Tender Offer must be commenced within 30 days after the consummation of the Change of Control Triggering 100% Tender Offer Transaction in which the Third Party Control Buyer actually acquired more than 50% of the outstanding Banco common shares from the Partners or any Partner Holding Company.

If the Change of Control Triggering 100% Tender Offer Transaction was consummated through a single transaction (and not a series of related transactions), then, subject to the following paragraphs, the 100% Tender Offer shall be made for a price per share that is equal to the price per share paid by the Third Party Control Buyer to the Partners in the Change of Control Triggering 100% Tender Offer Transaction. However, if the Change of Control Triggering 100% Tender Offer Transaction involved a series of related transactions, then the price that must be offered by the Third Party Control Buyer in the 100% Tender Offer shall, subject to the following paragraphs, equal the weighted average price per share that such Third Party Control Buyer paid to the Partners in all such transactions that occurred within one year to and including the date of the transaction that triggered the requirement to make a 100% Tender Offer.

If the Third Party Control Buyer acquires Banco common shares indirectly from the Partners by purchasing equity securities in a Partner Holding Company (rather than purchasing such Banco common shares directly from the Partners or any Partner Holding Company), then the price required to be offered by the Third Party Control Buyer in the 100% Tender Offer shall be equitably adjusted to account for, among other things, any assets (other than the equity securities of Banco BTG Pactual held by such Partner Holding company) or liabilities of the Partner Holding Company.

Pursuant to the terms of Banco BTG Pactual's by-laws, the price per share paid by the Third Party Control Buyer to the Partners in the Change of Control Triggering 100% Tender Offer Transaction will not include any consideration (including the value of any retention package or non-compete payments) received, directly or indirectly, by any Partner related to his or her status as an employee, officer, consultant, director or other similar position with BTG Pactual that involves such Partner providing services to BTG Pactual or refraining from providing services to any other party, even if such consideration is received in connection with the transaction that triggered the 100% Tender Offer, which consideration shall be deemed to be independent of the consideration paid for the equity securities transferred to such Third Party Control Buyer by the Partners.

We will not register any transfer, directly or indirectly, of Banco common shares to any Third Party Control Buyer, unless (i) the Third Party Control Buyer agrees to effect the 100% Tender Offer in accordance with the terms and conditions of the by-laws of Banco BTG Pactual and (ii) the Central Bank has approved the Change of Control Triggering 100% Tender Offer Transaction.

DESCRIPTION OF CAPITAL STOCK

Policy for Trading the Securities

Banco BTG Pactual is subject to CVM Instruction No. 358 in respect of the securities issued by it. Banco BTG Pactual, its controlling shareholders, directors, executive officers, members of the fiscal council, members of any technical or advisory body or any other person who, by virtue of his or her title, duty or position in Banco BTG Pactual, or in its controlling shareholder, controlled companies or affiliates, has knowledge of a material fact, and any other person who has knowledge of material information and knows it has not been disclosed to the market (including auditors, analysts, underwriters and advisors), are considered "insiders," and must abstain from trading our securities, including derivatives based on our securities, prior to the disclosure of such material information to the market.

The restriction on the ability to trade our securities or derivatives based on our securities will also apply:

- to any of Banco BTG Pactual's former officers, directors or members of the fiscal council for a six-month period, if any such officer, director or member of the fiscal council left office prior to a disclosure of material information that occurred while in office;
- if Banco BTG Pactual intends to acquire another company, consolidate, spin off part or all of its assets, merge, transform, or reorganize;
- to Banco BTG Pactual if an agreement for the transfer of its control has been executed, or if an option or mandate for such effect has been granted;
- to the direct or indirect controlling shareholders of Banco BTG Pactual, the officers and members of the board of directors, whenever Banco BTG Pactual, or any of its controlling companies, affiliates or partnerships subject to its control, are in the process of purchasing or selling shares issued by it or have granted options or granted power of attorneys for such purposes; or
- during the 15-day period before the disclosure of quarterly and annual financial statements required by the CVM and observing certain exceptions.

Repurchases of Shares

The by-laws of Banco BTG Pactual authorize its board of directors to approve the repurchases of its shares. The repurchase of shares issued by Banco BTG Pactual for cancellation or maintenance in treasury may not, among other things:

- result in the reduction of the capital stock of Banco BTG Pactual;
- require the use of resources greater than the retained earnings or reserves recorded in the most recent financial statements of Banco BTG Pactual, except the legal reserve, the unrealized profit reserve, revaluation reserve and special mandatory dividend reserve, if any;
- create, directly or indirectly, any artificial demand, supply or share price condition, or result in any unfair practices;
- be used for the acquisition of shares not paid up or held by the controlling shareholder of Banco BTG Pactual; or
- be conducted during the course of a public tender offer, including a tender offer for the acquisition of its own shares.

In determining whether to repurchases any shares of Banco BTG Pactual, the board of directors must specify (i) the reason for the acquisition and number of shares to be purchased, (ii) the period within which these purchases should take place, which may not exceed 365 days, (iii) the number of shares in free float, and (iv) the name and address of the financial institutions that will act as intermediaries of these purchases.

Shares of the same class maintained in treasury of Banco BTG Pactual may not exceed 5% of its outstanding shares, including shares held by any subsidiaries and affiliated companies.

Any repurchase by Banco BTG Pactual of its shares must be made through the stock exchange, and may not be made pursuant to privately negotiated transactions unless prior approval for such acquisition is obtained from the CVM. The purchase price of any such shares may not exceed its market price. Banco BTG Pactual may also repurchase its shares for the purpose of going private, as described below. Moreover, it may acquire options related to its shares.

Going Private Process

Banco BTG Pactual may become a private company if it or its controlling shareholder conducts a public tender offer for the acquisition of all of the outstanding shares in accordance with the rules and regulations of Brazilian Corporations Law and the CVM which, among other things, require that:

- the price offered for the shares in the public tender offer must be the "fair value" of those shares, as set forth below; and
- shareholders holding more than two-thirds of Banco BTG Pactual's outstanding share capital (excluding shares owned by the controlling shareholder, affiliated companies or in treasury) duly registered to participate in the tender offer shall have expressly agreed with the decision to become a private company or accepted the offer.

Brazilian Corporations Law defines "fair value" as that which is calculated on the basis of the following criteria, considered in isolation or in combination: stockholders' equity book value, stockholders' equity at market price, discounted cash flow, comparisons of trading multiples, market price of Banco BTG Pactual's shares or any other criteria accepted by the CVM.

Shareholders holding at least 10% of Banco BTG Pactual's outstanding share capital may require its management to review the price offered for the shares, and in this event management shall call an extraordinary shareholders' meeting to determine whether to perform another valuation using the same or a different valuation method. Such request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer, and shall be accompanied by a justification and evidence of inadequacy or misuse with respect to the calculation methodology or the valuation criteria. The shareholders who make such request shall reimburse Banco BTG Pactual for any costs involved in preparing the new valuation if the valuation price is lower than or equal to the original valuation price. If the new valuation price is higher than the original valuation price, the public tender offer shall be made at the new valuation price.

Transfer Restrictions

All of the equity securities (other than securities purchased in our initial public offering or subsequently in open market transactions) of BTGI and Banco BTG Pactual held by our Partners (other than the Participating Partners) and BTG Pactual Holding, which represents approximately 71.9% of the equity securities of Banco BTG Pactual and BTGI outstanding, are subject to substantial transfer restrictions, except for certain exceptions, including, without limitation, in connection with a sale of control of BTG Pactual. See "Our Partnership—Partnership Model Post Initial Public Offering—Restrictions on Sales of Partnership Equity," "Consortium Shareholders Agreement—Transfer Restrictions—Partnership Equity" and "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement."

In addition, the members of the Consortium and the Participating Partners have agreed, pursuant to the Consortium Shareholders Agreement, to certain transfer restrictions relating to our Units held by such holders that (i) subject to certain exceptions, allow such holders to transfer up to 40% of the Units held by them subsequent to our initial public offering to the extent such transfer occurs during the period commencing on the date that is six months after the consummation of our initial public offering and ending on the first anniversary of our initial public offering and (ii) generally lapse after the first anniversary of our initial public offering. See "Consortium Shareholders Agreement—Transfer Restrictions—New Investors."

DESCRIPTION OF CAPITAL STOCK

Arbitration

According to the by-laws of Banco BTG Pactual, Banco BTG Pactual, its shareholders, directors and officers, and the members of our fiscal council will settle any and all disputes or controversies which may arise amongst themselves relating to, or originating from, the application, validity, effectiveness, interpretation, violations and effects of violations of the provisions of its by-laws, or applicable laws and regulations, pursuant to arbitration in accordance with the procedures established by the International Chamber of Commerce Court of International Arbitration.

BTG Pactual Participations

The following description of the share capital of BTG Pactual Participations summarizes certain provisions of BTG Pactual Participations' memorandum of association and bye-laws. Such summary does not purport to be a complete overview of such memorandum of association and bye-laws or all applicable provisions of Bermuda law and is subject to, and is qualified in its entirety by reference to, all of the provisions of such memorandum of association and bye-laws and the Bermuda Companies Act. This summary should not be considered as legal advice regarding these matters. Prospective investors are urged to carefully review BTG Pactual Participations' memorandum of association and bye-laws in their entirety as they, and not this description, control the rights of a registered holder of shares of BTG Pactual Participations.

BTG Pactual Participations Ltd. is a limited liability company incorporated under the laws of the Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda. The commercial name of BTG Pactual Participations is "Participations" and may be referred to, from time to time, as "BTG Pactual." BTG Pactual Participations was incorporated on March 26, 2010 under registration number 44126, and is governed by the Companies Act of 1981 of Bermuda, as amended.

The rights of holders of BDRs are governed by the deposit agreements, and such rights differ in several important respects from the rights of registered holders of BPP Class A shares and BPP Class B shares. See "Description of Units, BDRs and GDSs."

Share Capital

The authorized share capital of BTG Pactual Participations is US$7,000.00 and includes BPP Class A shares, par value $0.0000000001 per share, BPP Class B shares, par value $0.0000000001 per share, one BPP Class C share, par value $10.00 per share, and BPP Class D shares, par value $0.0000000001 per share.

There are 198,511,396 fully paid BPP Class A shares issued and outstanding, 397,022,792 fully paid BPP Class B shares issued and outstanding, 55,678,806 fully paid BPP Class D shares issued and outstanding and one fully paid BPP Class C share issued and outstanding.

Voting

The BPP Class C share entitles its holder (currently BTG GP) to a number of votes equal to ten times the aggregate number of BPP Class A shares, BPP Class B shares and BPP Class D shares issued and outstanding at any given time. The holder of the BPP Class C share is entitled to vote at any general meeting of shareholders as well as at any meeting at which the holder of the BPP Class C share is voting as a single class.

BTG Pactual Participations (or any officer or director of BTG Pactual Participations) may not take, or permit BTG Bermuda Holdco to take, or provide its consent for BTGI (including any investment vehicle in which BTGI owns a majority of the economic interests) to take, any of the following actions or consummate any of the following transactions (any such action or transaction, referred to herein as a BPP Class C Approval Matter), in each case, without the affirmative vote (or written consent) of the holder of the BPP Class C share voting as a single class:

(i) any amendment to any of the provisions of the bye-laws or memorandum of association of BTG Pactual Participations, the BTGI Partnership Agreement, the Consortium Shareholders Agreement, or the Withdrawal Agreements;

(ii) any issuance, repurchase, redemption, cancellation or other acquisition of an equity interest of BTG Pactual Participations, BTG Bermuda Holdco or BTGI, other than (i) as required in connection with the consummation of the transactions contemplated by the Withdrawal Agreements (see "Withdrawal Agreements") or (ii) transactions between (x) BTG Pactual Participations and BTG Bermuda Holdco or (y) BTGI and a wholly-owned subsidiary of BTGI (or between two wholly-owned subsidiaries of BTGI);

(iii) any consent, as the general partner of BTGI, to a transfer of BTGI limited partnership interests by any Partner to the extent such transfer is not otherwise permitted to be made without obtaining such approval (See "BTGI Partnership Agreement");

(iv) the declaration or payment of any dividends or other similar distributions by BTGI or BTG Pactual Participations, other than any dividend that BTG Pactual Participations is required to pay pursuant to its bye-laws (See "Dividends and Dividend Policy");

(v) any (x) sale or series of related sales of assets or (y) acquisition or series of related acquisitions, in each case, by BTGI with a value greater than US$300,000,000 (in each case, outside of the ordinary course of the investment banking, commercial banking, securities, commodities or energy trading businesses or securities or commodities brokerage services of the relevant entity), or any business combination involving any such entity, in each case, except for any transactions between BTGI and a wholly-owned subsidiary of BTGI (or between two wholly-owned subsidiary of BTGI);

(vi) any business combination involving BTG Pactual Participations or BTG Bermuda Holdco, except for transactions between BTG Pactual Participations and BTG Bermuda Holdco;

(vii) the entering into of any new business lines by BTGI;

(viii) the incurrence by BTGI in one transaction or series of related transactions, of any indebtedness or guarantee, or generally the incurrence of liabilities, which, in any such case, has a value greater than US$300,000,000 and occurs outside the ordinary course of business;

(ix) the determination by BTGI of the aggregate amount and distribution of bonuses for all employees of BTGI, and all actions directly or indirectly related to the determination of compensation relating to any Top Seven Partners or any employee of BTGI with total annual compensation greater than US$1,000,000;

(x) any transaction between BTG Pactual Participations, BTG Bermuda Holdco, or BTGI, on the one hand, and any of the Partners or any of their affiliates or family members, on the other hand, unless such transaction is entered into in the ordinary course of business and is in all material respects on an arms' length basis;

(xi) any direct transfer by BTG Pactual Participations of the BTGI general partnership interest;

(xii) the commencement of a bankruptcy, reorganization, liquidation, dissolution, winding up or other similar proceeding of BTG Pactual Participations, BTG Bermuda Holdco or BTGI;

(xiii) the exercise by BTG Pactual Participations, as the general partner of BTGI, of its right to cause any Partner to transfer BTGI limited partnership interests to a third party; and

(xiv) providing its consent, as the general partner of BTGI, to allow any member of the Consortium to transfer Units in a ROFO Transaction for non-cash consideration. (see "Consortium Shareholders Agreement—Transfer Restrictions—New Investors").

Pursuant to the bye-laws of BTG Pactual Participations, the members of the board of directors of BTG Pactual Participations are elected and removed by the holder of the BPP Class C share voting as a single class (but see "Consortium Shareholders Agreement—Board Representation/Related Matters" regarding the right of the representative of the members of the Consortium to nominate one director to the board of directors of BTG Pactual Participations so long as they hold the Requisite Ownership Percentage).

Holders of BPP Class A shares and BPP Class D shares are entitled to vote at any meeting of shareholders at which the holders of all voting shares of BTG Pactual Participations are entitled to vote or which requires the approval of the BPP Class A shares or BPP Class D shares, as applicable, to vote as a single class. On any such matter each BPP Class A share or BPP Class D share shall entitle its holder to one vote per share.

Pursuant to the bye-laws of BTG Pactual Participations, any amendment, alteration, rescission or other modifications (or any adoption of a new bye–law which would have such effects) to the following provisions of the bye-laws will require the affirmative approval of a majority of the votes cast by the holders of the BPP Class A shares and BPP Class D shares, each voting as a single class:

(i) restrictions on the business activities of BTG Pactual Participations or BTG Bermuda Holdco (see "—Business Restrictions");

(ii) requirement of BTG Pactual Participations to declare a dividend to holders of BPP Class A shares and BPP Class B shares of any amounts that BTG Pactual Participations receives from BTG Bermuda Holdco and requirement of BTG Bermuda Holdco to distribute to BTG Pactual Participations any dividends that it receives from BTGI;

(iii) requirements that BTG Pactual Participations cause all proceeds that it receives upon the issuance of its equity securities to be indirectly contributed to BTGI (see "—Use of Proceeds");

(iv) prohibitions on the ability of (a) BTG Pactual Participations to transfer any shares that it holds in BTG Bermuda Holdco or (b) BTG Bermuda Holdco to transfer any BTGI limited partnership interests that it holds (see "—Transfer of Shares");

(v) provisions establishing the voting rights of the BPP Class A shares or BPP Class D shares, as applicable; and

(vi) required approvals for varying the rights attaching to any class of shares of BTG Pactual Participations.

In addition, any amendment, alteration, rescission or other modifications (or any adoption of a new bye-law which would have such effects) to the bye-laws of BTG Pactual Participations establishingthe rights of the BPP Class A shares and BPP Class B shares will require the affirmative approval of a majority of the BPP Class D shares voting as a single class.

Holders of BPP Class A shares are entitled to vote as a single class if BTG Bermuda Holdco, as a limited partner of BTGI, votes with respect to the appointment of a replacement general partner or tax matters partner or consents to the adoption of any amendment to the BTGI Partnership Agreement relating to the approval required to appoint the replacement general partner or tax matters partner. In any such case, BTG Bermuda

Holdco shall vote a number of BTGI limited partnership interests in favor of such appointment or proposal equal to the amount obtained by multiplying (i) the total number of BTGI limited partnership interests held by BTG Bermuda Holdco and (ii) a fraction, the numerator of which is the total number of BPP Class A shares voting in favor of the appointment or proposal and the denominator of which is the total number of BPP Class A shares outstanding. In addition, holders of BPP Class A shares are entitled to vote as a single class if BTG Bermuda Holdco proposes to consent to any amendment to the BTGI Partnership Agreement which would increase the obligations or liabilities of BTG Bermuda Holdco thereunder or if BTG Pactual Participations proposes to amend any provisions in its bye-laws with respect to requirements to commence a mandatory tender offer to acquire BPP Class A shares and BPP Class B shares in the case of certain transfers of Partnership Equity (see "—Mandatory Tender Offer" below).

Holders of BPP Class B shares will have no voting rights, and are not entitled to attend and vote at any meeting of shareholders of BTG Pactual Participations, except as otherwise required by Bermuda law, as described below, or with respect to any action that varies the rights of the holders of BPP Class B shares as a class, in which case the holders of BPP Class B shares shall vote as a single class. Pursuant to the bye-laws of BTG Pactual Participations, holders of BPP Class B shares are entitled to one vote per share on any such matter.

Unless a different majority is required by Bermuda law or by the bye-laws of BTG Pactual Participations, resolutions to be approved at a general meeting of shareholders, including any such meeting at which all shareholders are entitled to vote on a combined basis, require approval by a simple majority of votes cast at a meeting at which a quorum is present (see "—Bermuda Law—Meetings of Shareholders" for a description of quorum requirements), and resolutions to be approved by holders of a class of shares voting as a single class require approval by a simple majority of votes of such class of shares cast at a meeting at which a quorum is present. Subject to the terms of the BDR deposit agreement, a holder of BDRs will have the right to direct the depositary to vote the BPP Class A shares and, if applicable, the BPP Class B shares represented by the BDRs held by such holder. See "Description of Units, BDRs and GDSs—Brazilian Depositary Receipts (BDRs)—Voting of Deposited Securities."

Economic Rights

In the event of the winding-up or dissolution of BTG Pactual Participations, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, (i) the holders of BPP Class A shares and BPP Class B shares are entitled to share equally and ratably in the surplus assets of BTG Pactual Participations and (ii) the holder of the BPP Class C share is entitled to share in the surplus assets of BTG Pactual Participations but only up to the amount of its paid in capital. Holders of the BPP Class D shares are not entitled to any such surplus assets and have no economic rights.

Dividends

See "Dividends and Dividend Policy."

Preference Shares

Pursuant to Bermuda law and the bye-laws of BTG Pactual Participations, the board of directors is authorized to establish by resolution one or more series of preference shares having such number of shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by the board of directors. Such rights, preferences, powers and limitations as may be established could also have the effect of discouraging an attempt to obtain control of BTG Pactual Participations. BTG Pactual Participations currently has no preference shares issued and outstanding. BTG Pactual Participations has no present plans to issue any preference shares. See "Risk Factors—Risk Factors Relating to the Listing and Our Units—You may face difficulties in exercising your voting rights or other rights relating to the Units."

DESCRIPTION OF CAPITAL STOCK

Splits, Distributions of Shares and Recapitalizations

The bye-laws of BTG Pactual Participations provide that it shall not in any manner subdivide or combine (by any share split, reverse share split, distribution of shares, reclassification, recapitalization or otherwise) its outstanding shares unless an identical event is occurring with respect to the BTGI limited partnership interests, in which event the BPP Class A shares, BPP Class B shares and BPP Class D shares shall be subdivided or combined concurrently with and in the same manner as the BTGI limited partnership interests.

Transfers of Shares

The board of directors of BTG Pactual Participations shall not register a transfer of shares of BTG Pactual Participations unless the transfer is permitted by and complies with the bye-laws of BTG Pactual Participations and all applicable consents of any governmental or regulatory body required to be obtained have been obtained. The bye-laws of BTG Pactual Participations require that any transfer of a BPP Class A share must be made with corresponding BPP Class B shares and corresponding shares of Banco BTG Pactual to form a Unit. These restrictions on transfer will not apply if BPP Class A shares and BPP Class B shares are separately listed for trading on a stock exchange appointed under the Bermuda Companies Act, which includes NYSE Euronext Amsterdam. Subject to these restrictions and exception, a holder of shares of BTG Pactual Participations may transfer the title to all or any of his or her shares by completing a form of transfer in the form set out in the bye-laws of BTG Pactual Participations (or as near thereto as circumstances admit) or in such other common form as the board may accept. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid share the board of directors may accept the instrument signed only by the transferor. In addition, BPP Class A shares and BPP Class B shares that are held by Partners, the members of the Consortium or the Participating Partners following the consummation of the transactions contemplated by the Withdrawal Agreements and BPP Class D shares are subject to certain contractual transfer restrictions (See "Our Partnership—Partnership Model Post Initial Public Offering—Restrictions on Sales of Partnership Equity"; "Consortium Shareholders Agreement—Transfer Restrictions—New Investors," "Consortium Shareholders Agreement—Transfer Restrictions—Partnership Equity," and "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement").

Variation of Rights

If at any time BTG Pactual Participations has more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (i) with the consent in writing of the holders of 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of holders of such class at which a quorum consisting of at least two persons holding or representing one-third of the issued shares of such class is present. The bye-laws of BTG Pactual Participations specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of new preference shares will not be deemed to vary the rights attached to BPP Class A shares, BPP Class B shares or BPP Class D shares or, subject to the terms of any other series of preference shares, to vary the rights attached to any other series of preference shares.

Business Restrictions

The bye-laws of BTG Pactual Participations provide that BTG Pactual Participations cannot, directly or indirectly, conduct any activities or any business or engage in any activities of any nature including incurring indebtedness or liabilities (other than any liabilities which do not arise from any intentional action or intentional failure to act) or holding any assets, other than (i) directly or indirectly owning BTGI limited partnership interests and activities directly relating to such ownership, (ii) directly owning the BTGI general partnership interest and acting as the general partner of BTGI, (iii) performing actions necessary as a result of its status as a publicly held company or administrative activities required by law, (iv) taking any actions in connection with or as otherwise contemplated by its bye-laws, including taking actions in connection with transactions contemplated by the Withdrawal Agreements or in connection with the issuance or registration of any of its equity interests, (v) temporarily holding proceeds of dividends received by BTG Bermuda Holdco prior to declaring such dividend to its shareholders, (vi) temporarily holding proceeds from any equity issuance prior to contributing such funds to BTG Bermuda Holdco, (vii) holding *de minimis* amounts of cash to comply with administrative functions, and (viii) any activities incidental to the foregoing. The bye-laws of BTG Pactual Participations contain similar restrictions with respect to the activities and business of BTG Bermuda Holdco. As set forth in Article 2 of its bye-laws, BTG Pactual Participations is a holding company and may not conduct any business or engage in any activities of any nature, other than its ownership, directly or indirectly, of any member of BTG Pactual or the Partnership and activities directly relating to such ownership, its ownership of the general partnership interest of the Partnership or any similar interest with respect to any of the Partnership's subsidiaries, other activities incidental to its ownership of such interests enumerated in Article 2 of the bye-laws, and taking any actions in connection with or as otherwise contemplated by its bye-laws.

In addition, BTG Pactual Participations is not permitted to transfer any of the shares that it holds in BTG Bermuda Holdco or permit BTG Bermuda Holdco to transfer any BTGI limited partnership interests that it holds other than to BTG Pactual Participations or one of its wholly-owned subsidiaries.

Use of Proceeds

The bye-laws of BTG Pactual Participations provide that as soon as practicable following the receipt of any proceeds from the sale or issuance by BTG Pactual Participations of its shares or other equity interests (other than with respect to issuances made pursuant to the Withdrawal Agreements or any employee compensation, incentive or other equity plan), BTG Pactual Participations shall, as permitted by applicable law, contribute the net proceeds so received to BTG Bermuda Holdco, and shall cause BTG Bermuda Holdco to contribute all such proceeds to BTGI in exchange for BTGI Class C partnership interests.

Mandatory Tender Offer

Tender Offer Required in Connection with Transfer of Control to Third Party Control Buyer

BTG Pactual Participations has elected to include provisions in its bye-laws that provide holders of BPP Class A shares and BPP Class B shares that are held as part of a Brazilian Unit the right to participate in certain transactions involving a "Bermuda Change of Control," as described below, but only if such shares are held as part of Brazilian Units that are deposited with the Brazilian Unit depositary at the moment the change of control transaction is publicly announced. European Unit holders will not be entitled to these special tender offer rights, including if they exchange their European Units for Brazilian Units following the announcement of such transaction. In addition, if any Brazilian Units are voluntarily cancelled by any holder after the announcement of the Bermuda Change of Control, the underlying BPP Class A Shares and BPP Class B shares will not be entitled to these special tender offer rights, except in the case that BTG Pactual Participations notifies the depositary of the Brazilian Units that such cancellation is actually necessary in order for the underlying shares held as part of the Brazilian Unit to participate in the 100% Bermuda Tender Offer (as described below) in the event that the transaction giving rise to the 100% Bermuda Tender Offer does not also involve a Change of Control Triggering 100% Tender Offer Transaction (see "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events—100% Tender Offer Required by Banco BTG Pactual's By-laws").

These provisions of the bye-laws may not be amended or modified, without the approval of a majority of the holders of BPP Class A shares voting as a single class, which approval must include the affirmative consent of a majority of the BPP Class A shares that are not held directly or indirectly by Partners. Below is a summary of such provisions:

For purposes of the bye-law provisions of BTG Pactual Participations relating to the required offer:

- "Bermuda Change of Control" means a transaction or series of related transactions pursuant to which any Third Party Control Buyer acquires, whether directly or indirectly, "Control" of BTG Pactual Participations or BTGI (including by means of the acquisition of the BPP Class C share) from our current or future Partners (including any Partner Holding Company);
- "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise;
- "Partner Holding Company" means any entity that is wholly-owned by the Partners as a group; and
- "Third Party Control Buyer" means any person or group that is or are not employees, officers, consultants, Partners or other individuals that provide full-time services to BTG Pactual.

Pursuant to the terms of the bye-laws of BTG Pactual Participations (and without limiting the shareholders' rights to participate in a "Tender Offer Required in Connection with a Statutory Tender Offer Required under Brazilian Law," as described below), our current or future Partners (including any Partner Holding Company) may not, in any transaction or series of related transactions, effect a Bermuda Change of Control, unless as a condition subsequent to the effectiveness of any such Bermuda Change of Control, the Third Party Control Buyer agrees to make an irrevocable tender offer (which we refer to as the "100% Bermuda Tender Offer") to acquire 100% of the outstanding BPP Class A shares and BPP Class B shares that are held as part of a Brazilian Unit at the relevant time as described above at a price per share that is at least 100% of the price per share (or limited partnership interest) and, as described in more detail below, otherwise upon the same terms and conditions as are received by the Partners, directly or indirectly, with respect to the BPP Class A shares, BPP Class B shares or BTGI limited partnership interests, in each case, which are sold in such Bermuda Change of Control by the Partners. Such 100% Bermuda Tender Offer must be commenced within 30 days after the consummation of the Change of Control in which the Third Party Control Buyer actually acquired Control of BTGI or BTG Pactual Participations, as applicable, from the Partners or any Partner Holding Company.

If the Bermuda Change of Control was consummated through a single transaction (and not a series of related transactions), then, subject to the following paragraphs, the 100% Bermuda Tender Offer shall be made for a price per share that is equal to the price per share (or limited partnership interest) paid by the Third Party Control Buyer to the Partners in the Bermuda Change of Control. However, if the Bermuda Change of Control involved a series of related transactions, then the price that must be offered by the Third Party Control Buyer in the 100% Bermuda Tender Offer shall, subject to the following paragraphs, equal the weighted average price per share (or limited partnership interest) that such Third Party Control Buyer paid to the Partners in all such transactions that occurred within one year prior to and including the date of the transaction that triggered the requirement to make a 100% Bermuda Tender Offer.

If the Third Party Control Buyer acquires BPP Class A shares, BPP Class B shares or BTGI limited partnership interests indirectly from the Partners by purchasing equity securities in a Partner Holding Company, then the price required to be offered by the Third Party Control Buyer in the 100% Bermuda Tender Offer shall be equitably adjusted to account for, among other things, any assets (other than the equity securities of BTGI or BTG Pactual Participations held by such Partner Holding company) or liabilities of the Partner Holding Company.

Pursuant to the terms of the bye-laws, the price per share paid by the Third Party Control Buyer to the Partners in the Bermuda Change of Control will not include any consideration (including the value of any retention package or non-compete payments) received, directly or indirectly, by any Partner related to his or her status as an employee, officer, consultant, director or other similar position with BTG Pactual that involves such Partner providing services to BTG Pactual or refraining from providing services to any other party, even if such consideration is received in connection with the transaction that triggered the 100% Bermuda Tender Offer, which consideration shall be deemed to be independent of the consideration paid for the equity securities transferred to such Third Party Control Buyer by the Partners.

Tender Offer Required in Connection with Statutory Tender Offer Required under Brazilian Law

Pursuant to the bye-laws, the board of directors of BTG Pactual Participations will not register any transfer of the BPP Class C share, BPP Class A shares or BPP Class B shares (including any such BPP Class A share or BPP Class B share which may be received in connection with the transactions contemplated by the Withdrawal Agreements) to a Statutory Control Buyer or any affiliate thereof (see "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events—Tender Offer Required under Brazilian Law") unless as a condition subsequent to the effectiveness of any such transfer, the Statutory Control Buyer or such affiliate agrees to make an irrevocable offer to purchase, within 30 days of the closing of the transfer, all of the outstanding BPP Class A shares and BPP Class B shares (including any shares that may be issued pursuant to the Withdrawal Agreements) at a purchase price per share at least equal to 80% of the price per share paid by the Statutory Control Buyer to the transferor in such transaction on account of the transfer of BPP Class A shares and BPP Class B shares.

Bermuda Law

We believe that it is of primary importance that our shareholders are treated fairly and have proper access to and recourse against BTG Pactual Participations. Bermuda was chosen as the place of incorporation of BTG Pactual Participations for several reasons, including its acceptability to our Partners, who are domiciled around the world, as well as potential investors. We believe Bermuda's established corporate law, coupled with the provisions of the bye-laws of BTG Pactual Participations, provides shareholders with an appropriate level of protection and rights. BTG Pactual Participations is an exempted company organized under the Bermuda Companies Act. The rights of the shareholders of BTG Pactual Participations and of those persons who will become holders of BDRs are governed by Bermuda law and BTG Pactual Participations' memorandum of association and bye-laws. These provisions of the bye-laws may not be amended or modified, without the approval of a majority of the holders of BPP Class A shares.

The following is a summary of material provisions of Bermuda law and the organizational documents of BTG Pactual Participations not discussed above.

Meetings of Shareholders

Under Bermuda law, a company is required to convene at least one shareholders' meeting each calendar year, unless the shareholders elect to dispense with such requirement. Bermuda law provides that a special general meeting may be called by the board of directors and must be called upon the request of shareholders holding not less than 10.0% of the paid-up share capital of the company carrying the right to vote. Bermuda law also requires that shareholders be given at least five days' advance notice of a general meeting, but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. The bye-laws of BTG Pactual Participations provide that the board of directors may convene an annual general meeting or a special general meeting. Under the bye-laws, each shareholder must receive at least five days' notice of the annual general meeting and at least five days' notice of any special general meeting. Under Bermuda law, the number of shareholders constituting a quorum at any general meeting of shareholders is determined by the bye-laws of a company. The bye-laws of BTG Pactual Participations provide that the presence in person or by proxy of the holder of the BPP Class C share constitutes a quorum at any general meeting of shareholders, except with respect to any matter which requires the approval of the holders of BPP Class A shares, BPP Class B shares or BPP Class D shares, in each case, voting as a single class, in which case two or more persons present in person at the start of the meeting and representing in person or by proxy in excess of 50.0% (or one-third in the case of any vote with respect to the variation of rights attaching to any class of shares, as described above) of the total issued BPP Class A shares, BPP Class B shares or BPP Class D shares, as applicable, shall form a quorum for the transaction of business.

The holders of not less than 5.0% of the total voting rights of all shareholders or 100 shareholders, whichever is the lesser, may require the directors to include in the notice for the next annual general meeting of a company any resolution which may properly be moved and is intended to be moved. In addition, such persons may also require the directors to circulate to the other shareholders a statement on any matter which is proposed to be considered at any general meeting.

Access to Books and Records and Dissemination of Information

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include a company's memorandum of association, including its objects and powers, and any alteration to its memorandum of association. Shareholders have the additional right to inspect the certificate of incorporation, bye-laws of the company, minutes of general meetings and the company's audited financial statements. The register of members of a company is also open to inspection by shareholders and members of the general public without charge. A company is required to maintain its register of members in Bermuda but may, subject to the provisions of Bermuda law, establish a branch register of members outside Bermuda. BTG Pactual Participations maintains its share register of members at its registered office in Hamilton, Bermuda. A company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours each day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Board Actions

Under Bermuda law, at common law, the directors of a Bermuda company owe their fiduciary duty to the company rather than to the shareholders. In addition, the Bermuda Companies Act imposes a specific duty on directors and officers of a Bermuda company to act honestly and in good faith with a view to the best interests of the company and requires them to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Bermuda Companies Act also imposes various duties on officers of a company with respect to certain matters of management and administration of the company.

BTG Pactual Participations' business is to be managed and conducted by its board of directors, subject to any required approvals of the holder of the BPP Class C share or holders of BPP Class A shares, BPP Class B shares or BPP Class D shares, as applicable, in each case, as specified above. There is no requirement in the bye-laws or Bermuda law that directors hold any shares or that directors must retire at a certain age. The bye-laws provide that the board of directors will consist of between five and eleven members. Actions must be approved by a majority of the directors present and entitled to cast votes at a properly convened meeting of the board of directors. A majority of the directors then in office constitutes a quorum; provided that the holder of the BPP Class C share may require the attendance of a specific director in order to achieve a quorum. The board of directors is appointed according to the terms of the bye-laws, as described above, and the Consortium Shareholders Agreement. See "Consortium Shareholders Agreement—Board Representation/Related Matters."

Amendment of Memorandum of Association and Bye-laws

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. An amendment to the memorandum of association, other than an amendment that alters or reduces a company's share capital, also requires the approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion. The bye-laws provide that no bye–law shall be rescinded, altered or amended, and no new bye–law shall be made, unless it shall have been approved by a resolution of the board of directors and by a resolution of the holder of the BPP Class C share. The rescission, alteration or amendment of certain bye-laws also requires the affirmative vote of a majority of votes cast by the holders of BPP Class A shares and/or BPP Class D Shares voting as a single class, as described above.

Under Bermuda law, the holders of an aggregate of no less than 20.0% in par value of a company's issued share capital or any class of issued share capital have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment that alters or reduces a company's share capital. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for the annulment of an amendment of the memorandum of association or continuance must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No such application may be made by persons voting in favor of the amendment.

Discontinuance

Under Bermuda law, an exempted company may be discontinued and be continued in a jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction. The bye-laws of BTG Pactual Participations provide that the board of directors of BTG Pactual Participations may exercise all powers to discontinue to another jurisdiction without the need of any approval of the holders of BPP Class A shares, BPP Class B shares or BPP Class D shares.

Acquisitions of Shares

A Bermuda exempted company may acquire the business of another Bermuda exempted company or a company incorporated outside Bermuda when the business of the target company is within the acquiring company's objects as set forth in its memorandum of association.

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's board of directors and by its shareholders. Each share of the company shall carry the right to vote in respect of such transactions whether or not it otherwise carries the right to vote. Subject to the foregoing, the approval of 75% of the shareholders voting at a general meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. A separate class vote will be required if the proposed amalgamation will constitute a variation of the rights of any such class of shares.

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a registered shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

The Bermuda Companies Act provides for a procedure known as a "scheme of arrangement." A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of any shares representing in the aggregate a majority in number and at least three–fourths in value of the holders of shares present and voting at a court–ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Supreme Court of Bermuda which may include provisions for any persons to dissent from the scheme of arrangement, within such time and such manner as the Supreme Court of Bermuda directs. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of shares could be compelled to sell their shares under the terms of the scheme of arrangement.

Bermuda law provides that where a tender offer is made for shares of a company and, within four months of the tender offer, the holders of not less than 90.0% of the shares which are the subject of the tender offer accept, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer. Dissenting shareholders may apply to the Supreme Court of Bermuda within one month of the notice objecting to the transfer.

Under Bermuda Law, where one or more parties holds not less than 95.0% of the shares or a class of shares of a company, such holders may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

Appraisal Rights and Shareholder Suits

Under Bermuda law, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a registered shareholder of the Bermuda company who is not satisfied that fair value has been offered for his or her shares may, within one month of the giving of notice of the shareholders' meeting to consider the amalgamation, apply to the Supreme Court of Bermuda to appraise the fair value of his or her shares.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in violation of the company's memorandum of association or continuance or bye-laws. Furthermore, consideration would be given by the Bermuda courts to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Bermuda courts for an order regulating the company's conduct of affairs in the future or compelling the purchase of the shares of any shareholder, by other shareholders or by the company.

Transfer Agent and Registrar

A register of holders of BTG Pactual Participations' shares will be maintained by Codan Services Limited in Bermuda.

Laws of the Netherlands Applicable to the Capital Stock of Banco BTG Pactual and BTG Pactual Participations

Obligations to Disclose Holdings and Transactions

Holders of our European Units may be subject to reporting obligations under the FMSA. The disclosure obligations under the FMSA apply to any person or entity that, directly or indirectly, acquires, holds or disposes of an interest in the voting rights and/or the capital of a public limited company incorporated under the laws of a non-EEA member state and of which shares are admitted to trading on a regulated market in the Netherlands. Disclosure is required when the percentage of voting rights or capital interest of a person or an entity reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (as a result of an acquisition or disposal by such person or entity, or as a result of a change in our total number of voting rights or share capital issued).

DESCRIPTION OF CAPITAL STOCK

Pursuant to legislation that entered into force on July 1, 2013 a mechanism is now in place pursuant to which we may identify, and communicate with, beneficial holders of our shares through the respective custodians. We are required to notify the AFM immediately if the voting rights and/or capital have changed by 1% or more since its previous notification on outstanding voting rights and capital. In addition, we must notify the AFM of changes of less than 1% in our outstanding voting rights and capital at least once per calendar quarter, within eight days after the end of the quarter. Any person whose direct or indirect voting rights and/or capital interest meets or passes the thresholds referred to in the previous paragraph as a result of a change in the outstanding voting rights or capital must notify the AFM no later than the fourth trading day after the AFM has published such a change.

Once every calendar year, within four weeks after the end of the calendar year, holders of an interest of 5% or more in our voting rights or capital must notify the AFM of any changes in the composition of their interest resulting from certain acts including, but not limited to, the exchange of shares for depositary receipts and vice versa, and the exercise of rights to acquire shares.

Subsidiaries, as defined in the FMSA, do not have independent reporting obligations under the FMSA, as interests held by them are attributed to their (ultimate) parents. Any person may qualify as a parent for purposes of the FMSA, including an individual. A person who ceases to be a subsidiary and who disposes of an interest of 5% or more in our voting rights or capital must immediately notify the AFM. As of that moment, all notification obligations under the FMSA become applicable to the former subsidiary.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) shares directly held (or acquired or disposed of) by any person; (ii) shares (or depository receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; (iii) shares that such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of including, but not limited to, on the basis of convertible bonds); and (iv) certain financial instruments, which are generally known as cash settled instruments, i.e., whose value depends, wholly or in part, on the value of the underlying shares or related distributions, and which do not entitle the holder to acquire the underlying shares (e.g., contracts for difference or total equity return swaps). A holder of a pledge or right of usufruct in respect of shares can also be subject to these reporting obligations if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. The managers of certain investment funds are deemed to hold the capital interests and voting rights in the funds managed by them.

For the same purpose, the following instruments qualify as "shares": (i) shares, (ii) depositary receipts for shares (or negotiable instruments similar to such receipts), (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds), and (iv) options for acquiring the instruments under (i) or (ii).

As of 1 July 2013, any person or entity will be obliged to notify the AFM of a gross short position forthwith for active changes and four trading days for passive changes. If such persons or entities acquire or lose control of financial instruments representing a short position in these shares that (expressed as a percentage of the capital) reaches, exceeds or falls below a threshold, they must notify the AFM accordingly. This obligation to notify a short position also exists when reaching, exceeding or falling below a threshold in the case of a passive change, i.e. as a result of a change in the capital.

The AFM keeps a public registry of and publishes all notifications made pursuant to the FMSA at its website www.afm.nl.

Non-compliance with the reporting obligations under the FMSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the FMSA may lead to civil sanctions, including (i) suspension of the voting rights relating to the shares held by the offender, for a period of not more than three years, (ii) nullification of any resolution of the general meeting of shareholders of the company to the extent that such resolution would not have been approved if the votes at the disposal of the person or entity in violation of a duty under the FMSA had not been exercised and (iii) a prohibition on the acquisition by the offender of our shares or the voting on our ordinary shares for a period of not more than five years.

Market Abuse Regime

Insiders of a company, as described in Article 5:60 of the FMSA are obliged to notify the market regulator in the Netherlands, the AFM, when they carry out or cause to be carried out, for their own account, a transaction in shares or in securities of which the value is at least in part determined by the value of such shares.

Insiders of a company as described in Article 5:60 of the FMSA include: (i) members of the executive board; (ii) members of the supervisory board; and (iii) persons who have a managerial position within the company and in that capacity are authorized to make decisions which have consequences for the future development and prospects of the company and can have access to inside information on a regular basis.

In addition, certain persons designated by the Netherlands Market Abuse Decree (*Besluit Marktmisbruik Wft*) who are closely associated with the members of the board, or any other insider referred to above, must notify the AFM of the existence of any transaction conducted for their own account relating to the shares or securities of which the value is at least in part determined by the value of such shares.

For the purposes of the Netherlands Market Abuse Decree, the following categories of persons are designated therein as being closely associated: (i) the spouse or any partner considered by national law as equivalent to a spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, managed or controlled by members of the board or any other insiders referred to above.

This notification must be made no later than the fifth business day following the transaction date. The notification pursuant to Article 5:60 of the FMSA may be delayed until the moment that the value of the transactions performed for that person’s own account, together with the transactions carried out by the persons closely associated with that person, reach or exceed an amount of €5,000 in the calendar year in question.

Non-compliance with the reporting obligations under the FMSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the FMSA may lead to civil sanctions.

Inside Information

Pursuant to Article 5:25i the FMSA, a company is required, once it has made a request for admission of its shares to trading on NYSE Euronext Amsterdam, to disclose to the public inside information that directly relates to itself. Inside information shall be disclosed by a press release issued in the Netherlands. The company shall simultaneously inform the AFM of that information, and shall, forthwith, post the information on its website. The company must keep the information available on its website for at least one year.

Notwithstanding the above, the company may delay the disclosure of the information if all of the three following conditions are met: (i) the delay serves the legitimate interests of the company, (ii) the delay is unlikely to mislead the public, and (iii) the company is able to ensure the confidentiality of the information. Only in very specific and special circumstances the company shall be entitled to delay disclosure of inside information.

Furthermore, where the company or a person representing the company deliberately discloses inside information in the normal course of the exercise of its employment, profession or duties to a third party, the company shall simultaneously disclose that information to the public. Where the information is not deliberately disclosed to a third party, the company shall then promptly disclose the information. However, the foregoing shall not apply if the person receiving the information owes a duty of confidentiality in respect of that information.

Dutch Takeover Regulations

In general, under the takeover provisions of the FMSA, third parties are prohibited from launching a public bid for securities that are admitted to trading on a regulated market, such as our European Units upon their admission to trading on Euronext Amsterdam, unless an offer document has been approved by the AFM and has subsequently been published. These public bid rules are intended to ensure that in the event of such a public bid, sufficient information will be made available to the holders of our securities, that the holders of our securities will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely bid period. As non-Dutch companies not having their corporate seats in the Netherlands, the provisions in the FMSA regarding mandatory takeover bids will not be applicable to us. Also, in the event that our securities would no longer be listed and admitted to trading on Euronext Amsterdam, the provisions described above will cease to apply.

DESCRIPTION OF UNITS, BDRS AND GDSS

Set forth below is a summary describing the material terms of the rights, including limitations of those rights, and procedure for the exercise of those rights attached to: (i) the European Units, (ii) the GDSs underlying the European Units, (iii) the Brazilian Units and (iv) the BDRs underlying the Brazilian Units, as well as the material rights of holders thereof.

Because this is a summary, it may not contain all of the information that is important to you. For additional information, you should read (i) Banco BTG Pactual's by-laws, (ii) BTG Pactual Participations' bye-laws, (iii) the European Unit deposit agreement, (iv) the Brazilian Unit deposit agreement, (v) the global depositary agreements, or GDS deposit agreements and GDS custody agreement, (vi) the BDR deposit agreement and the BDR custody agreement, and (vii) the rules and regulations of the Netherlands and Brazil applicable to the Units, the GDSs and BDRs, as the case may be. The Bank of New York Mellon shall hold copies of the European Unit deposit agreement and GDS deposit agreement for your review.

For purposes of this section, (i) "Units agreements" refer to the European Unit deposit agreements and the Brazilian Unit deposit agreement; (ii) "European Unit depositary" and "BNY Mellon" are used interchangeably and refer to The Bank of New York Mellon acting as the Unit depositary in the European Unit program; (iii) "GDS depositary" and "BNY Mellon" are used interchangeably and refer to The Bank of New York Mellon acting as the GDS depositary in the GDS program; (iv) "GDS custodian" and "Bradesco" are used interchangeably and refer to Banco Bradesco S.A. acting as the custodian of the Banco common shares and Banco Series A preferred shares under the GDS program; (v) "Brazilian Unit depositary" and "Bradesco" are used interchangeably and refer to Banco Bradesco S.A. acting as the Unit depositary in the Brazilian Unit program; (vi) "BDR depositary" and "Bradesco" are used interchangeably and refer to Banco Bradesco S.A. acting as the BDR depositary in the BDR program, and (vi) "European custodian" and "BNY Mellon" are used interchangeably and refer to The Bank of New York Mellon acting as the custodian of the BPP Class A shares and BPP Class B shares under the BDR program. The other documents are available for review at our head offices, upon request.

General

In connection with the European Units, BNY Mellon acts as (i) European Unit depositary under the terms and conditions of the European Unit deposit agreement among Banco BTG Pactual, BTG Pactual Participations, BNY Mellon and the owners and holders of European Units and (ii) GDS depositary under the terms and conditions of two separate GDS deposit agreements (one for each class of shares of Banco BTG Pactual underlying the GDSs) among Banco BTG Pactual, BNY Mellon and the owners and holders of GDSs. Bradesco acts as Brazilian custodian of the Banco common shares and Banco Series A preferred shares underlying the GDSs pursuant to a custody agreement between Bradesco, in its capacity as Brazilian custodian, and BNY Mellon, in its capacity as GDS depositary. There are differences between holding the European Units, GDSs and their respective underlying securities.

In connection with the Brazilian Units, Bradesco acts as the (i) Brazilian Unit depositary under the terms and conditions of the Brazilian Unit deposit agreement among Banco BTG Pactual, BTG Pactual Participations and Bradesco and (ii) BDR depositary under the terms and conditions of a BDR deposit agreement between BTG Pactual Participations and Bradesco. BNY Mellon acts as European custodian of the BPP Class A shares and BPP Class B shares underlying the BDRs pursuant to a Brazilian custody agreement between BNY Mellon, in its capacity as European custodian, and Bradesco, in its capacity as BDR depositary. There are differences between holding Brazilian Units, BDRs and their respective underlying securities.

The European Units

Application has been made to list all European Units under the symbol "BTGP" and with the ISIN Code US05890C3034 on NYSE Euronext Amsterdam. Each European Unit represents (A) three GDSs (of which one represents one Banco common share (ISIN Code US05890C1053) and two represent one Banco Series A preferred share (ISIN Code US05890C2044) each), (B) one BPP Class A share (ISIN Code BMG166341005) and (C) two BPP Class B shares (ISIN Code BMG166341187). The European Units will be traded in euros.

European Unit Depositary

BNY Mellon acts as European Unit depositary and is responsible for the issuance, cancellation and registration of the European Units in accordance with the European Unit deposit agreement. European Units are evidenced by electronic book entries in BNY Mellon's book entry system and no physical certificates evidencing European Units will be issued and, accordingly, delivered to European Unit holders. See "—Limitations on Obligations and Liability to European Unit Holders." In addition, BNY Mellon manages the European Unit program and provides issuance and registration services to the European Unit holders. BNY Mellon's address is One Wall Street, New York, NY, 10005, the United States of America.

European Unit Registry Book

The rights of European Unit holders under the European Unit deposit agreement described in this section belong to the registered holders of European Units. All the European Units will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream. All persons other than the nominee of the common depositary that hold interests in European Units will hold security entitlements in European Units directly or indirectly through securities intermediaries that are participants in Euroclear or Clearstream. You will not be entitled to have European Units registered in your name or receive a European Unit certificate except under special circumstances that are set out in the European Unit deposit agreement. Therefore, you must rely on the procedures of Euroclear or Clearstream, as applicable, and any other securities intermediary through which you hold your interests in European Units to assert the rights of European Unit holders described in this section. You should consult with that securities intermediary to find out what those procedures are.

As a holder of European Units, you will have European Unit holder rights as set forth in the European Unit deposit agreement. That European Unit deposit agreement also sets forth the rights and obligations of BTG Pactual Participations and Banco BTG Pactual and the rights and obligations of the European Unit depositary. New York law governs the European Unit deposit agreement and the European Units.

Transfer Restrictions

The European Units and the securities represented thereby will be subject to restrictions on transfer that are described under "Transfer Restrictions," "—European Unit Program—Regular Fees" and "—Cancellation of European Units Other than for Exchange into Brazilian Units."

Deposit and Withdrawal

The European Unit depositary will deliver European Units if Banco BTG Pactual, BTG Pactual Participations, or you or your broker deposits each of the securities to be represented by European Units with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the European Unit depositary will deliver the appropriate number of European Units as you request. Each deposit of securities must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Issuance."

You may at any time surrender your European Units to the European Unit depositary for withdrawal of the deposited securities, subject to the payment of the fees described below. Upon payment of any required fees, including the cancellation fee and other processing fees, expenses and of any taxes or charges, such as stamp taxes or share transfer taxes, and subject to the provisions of the European Unit deposit agreement, the European Unit depositary will deliver the amount of deposited securities represented by those European Units to you, or otherwise as you direct. Any physical delivery of deposited securities other than at the custodian's office will be made only at your request, risk and expense. Each cancellation of European Units, including as a result of a Unit exchange or otherwise, must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Cancellation."

Notwithstanding the foregoing, no deposited securities may be withdrawn upon surrender of European Units unless the European Unit depositary has received:

- if withdrawal was requested to the European Unit depositary in order to effect an exchange of a European Unit for a Brazilian Unit, all required instructions and forms duly executed, as well as applicable fees, described under "—Exchange of European Units for Brazilian Units" and "—European Unit Program—Regular Fees"; or
- if withdrawal was requested to the European Unit depositary for any reason other than in connection with an exchange of the European Units into Brazilian Units or the exercise of tag-along rights, payment to us of the cancellation fee described under "—Cancellation of European Units Other than for Exchange into Brazilian Units," which will be payable through BNY Mellon.

Dividends and Other Distributions to European Unit Holders

European Unit holders will be entitled to receive the economic benefits they would receive if they were direct holders of the BPP Class A shares, BPP Class B shares and the GDSs underlying the European Units, subject to the limitations provided under the European Unit deposit agreement and the GDS deposit agreements. Notwithstanding the below, the European Unit depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any European Unit holders. We have no obligation to register European Units or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of any securities to European Unit holders. ***This means that you may not receive the distribution we make on our securities or any value for them if it is illegal or impractical for us to make them available to you.***

Cash Dividends

Cash dividends will be distributed by the European Unit depositary to the European Unit holders in proportion to their respective Unit holdings. Such distributions will be made by BNY Mellon in its capacity as both European Unit depositary and GDS depositary. For distribution purposes, (i) any amounts in *reais* will be converted into euros based on the market exchange rate available to the GDS depositary on the day it is notified by its custodians of the receipt of the dividend and (ii) any amounts in U.S. dollars will be converted into euros based on the market exchange rate available to BNY Mellon on the day it receives the dividend. Before making a distribution, the fees of the European Unit depositary and the GDS depositary and any withholding taxes that must be paid under any applicable law will be deducted. See "Taxation—Certain Dutch Tax Considerations." Any cash distributions with respect to the European Units will be made in euros through Clearstream or Euroclear and will be rounded to the nearest whole cent, if applicable.

Distributions of Securities Represented by the European Units

We intend, in general, to make distributions of new BPP Class A shares and BPP Class B shares and GDSs as dividends only if the number of such securities is appropriate and sufficient to create new European Units. Accordingly, after such distributions, we will deposit such securities into the European Unit program and BNY Mellon will deliver additional European Units representing such securities for distribution to the holders of outstanding European Units in proportion to their respective European Unit holdings, provided that BTG Pactual Participations and Banco BTG Pactual, as the case may be, first instruct the European Unit depositary to do so and, if so requested, furnish it with satisfactory evidence that such distribution is legal.

DESCRIPTION OF UNITS, BDRS, AND GDSS

In the event we distribute BPP Class A shares, BPP Class B shares, Banco common shares or Banco Series A preferred shares in amounts insufficient or inappropriate to permit the creation of new European Units, including as a result of any stand-alone distributions by Banco BTG Pactual or BTG Pactual Participations, as the case may be, of the securities underlying the European Units, BNY Mellon will:

(i) amend the European Units (and the GDSs, as applicable) to represent the securities so distributed if requested by us; or

(ii) distribute directly to the European Unit holders the GDSs, BPP Class A shares or BPP Class B shares so distributed, which shall be held by European Unit holders outside the European Unit program.

In no event will the European Unit depositary distribute a fraction of a share, GDS or Unit to any European Unit holder. Instead, the European Unit depositary will set the aggregate of those fractions and distribute any net proceeds as in the case of a cash distribution.

Preemptive Rights

In the event that each of Banco BTG Pactual and BTG Pactual Participations offers preemptive rights with respect to the securities underlying the European Units that, upon exercise, would permit the issuance of new European Units, each European Unit holder may be offered the right to instruct BNY Mellon to subscribe for that holder's proportionate share of those additional underlying securities and to receive corresponding new European Units, provided that BTG Pactual Participations and Banco BTG Pactual, as the case may be, furnish BNY Mellon with satisfactory evidence that exercise of such preemptive rights by the European Unit holders is legal. In these cases, such Unit holder must pay to BNY Mellon the necessary funds required for the subscription of those additional European Units and pay the fees and applicable taxes in connection therewith.

In the event that (i) we offer preemptive rights to European Unit holders that upon exercise would permit the creation of new European Units as described above, and a European Unit holder wishes to (A) exercise such preemptive rights with respect to a certain class or classes of underlying securities that would not result in the issuance of European Units or (B) exercise such preemptive rights and, following the exercise thereof, hold the securities outside the European Unit program, or (ii) either Banco BTG Pactual or BTG Pactual Participations, as the case may be, offers preemptive rights to European Unit holders with respect to a particular class or classes of securities represented by the European Units on a stand-alone basis such that the exercise thereof would not permit the creation of new European Units, European Unit holders may be offered the right to instruct BNY Mellon to subscribe for their proportionate share of any particular class or classes of such securities, but only if BTG Pactual Participations or Banco BTG Pactual, as applicable, instructs it to do so and furnishes satisfactory evidence that it would be legal for those holders to do so. Following payment to BNY Mellon of the necessary funds required for subscription of those additional securities and any fees and applicable taxes, the European Unit depositary will distribute the GDSs, BPP Class A shares or BPP Class B shares, as the case may be, resulting from the exercise of these preemptive rights to the respective Brazilian Unit holders, which will be held outside the European Unit program.

If rights are not made available for exercise by holders of European Units, including as a result of our failure to provide evidence that the exercise thereof is legal or if such exercise would require registration under the Securities Act that is not being effected, the European Unit depositary may sell those rights and distribute the proceeds of that sale to European Unit holders entitled to them, net of its fees, expenses and any applicable taxes.

We cannot assure you that you will be able to timely exercise the preemptive rights in the same manner as an owner of record of the deposited securities. In addition, there may be delays in the withdrawal of the deposited securities following the date on which the cancellation of the European Units is requested, which could affect your ability to exercise preemptive rights outside the European Unit program. European Unit holders who elect not to exercise their preemptive may not sell or transfer such rights to other European Unit holders or investors on the open market.

Other Distributions

The European Unit depositary will send to you anything else we distribute other than cash, securities represented by the European Units or preemptive rights by any means it thinks is equitable and practical. The European Unit depositary may withhold any distribution of securities if it has not received satisfactory assurances from us that the distribution does not require registration under the Securities Act. If it cannot make the distribution to you, the European Unit depositary may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash or it may decide to hold what we distributed, in which case the outstanding European Units will also represent the newly distributed property. The European Unit depositary may withhold any fees and expenses, taxes or other governmental charges it thinks are applicable in this process. The European Unit depositary may sell a portion of the distributed securities or other property that is sufficient to pay its fees and expenses in connection with the distribution, provided that such sale can be effected through the sale of a Unit.

Voting of Underlying Securities

European Unit holders will be entitled to exercise certain voting rights with respect to the deposited securities pursuant to the by-laws of Banco BTG Pactual, the bye-laws of BTG Pactual Participations, Brazilian Corporations Law and the Bermuda Companies Act and the GDS deposit agreement. To exercise these rights, European Unit holders will be required to provide voting instructions directly to BNY Mellon, as the European Unit depositary, in accordance with the terms and conditions of the European Unit deposit agreement and the GDSs deposit agreement.

Subject to applicable law and the by-laws of Banco BTG Pactual and the bye-laws of BTG Pactual Participations, you may instruct the European depositary to vote the number of deposited securities your European Units represent. The European Unit depositary will notify you of shareholders' meetings of Banco BTG Pactual and BTG Pactual Participations at which the underlying securities have voting rights and arrange to deliver our voting materials to you if we ask it to do so. Those materials will describe the matters to be voted on and explain how you may instruct the European Unit depositary to vote. For instructions to be valid, they must reach the European depositary by a date set by the European Unit depositary. The European Unit depositary will try, to the extent practical, to vote the number of deposited securities represented by your European Units as you instruct. The European Unit depositary will only vote or attempt to vote as you instruct.

We cannot ensure that you will receive voting materials or otherwise learn of an upcoming shareholders' meeting of Banco BTG Pactual or BTG Pactual Participations in time to ensure that you can instruct the European depositary to vote your shares. In addition, the European depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to vote, and there may be nothing you can do if your shares are not voted as you requested.

Changes Affecting Underlying Securities

If a change in BPP Class A shares or BPP Class B shares or Banco common shares or Banco Series A preferred shares underlying the European Units or GDSs were to occur as a result of a change in the nominal or par value, a split-up, cancellation, consolidation or re-classification of such securities or as a result of a recapitalization, reorganization, merger, consolidation or sale of our assets, the European Units will, to the extent permitted by law, represent the right to the property received or exchanged in respect of the BPP Class A shares, BPP Class B shares and GDSs, as the case may be, underlying the European Units.

DESCRIPTION OF UNITS, BDRS, AND GDSS

European Unit Program – Regular Fees

European Unit holders must pay:	for:
$5.00 per 100 European Units or portion thereof:	Each issuance of European Units, including following an exchange of Brazilian Units for European Units (see "—Exchange of European Units for Brazilian Units") or as a result of a distribution of shares or rights or other property Each surrender of European Units for the purpose of withdrawal of the deposited securities, including in cases of an exchange for Brazilian Units or the termination of the deposit agreement.
$0.05 (or less) per European Unit or portion thereof	Any cash distribution
Registration or transfer fees	Transfer and registration of shares and GDSs on our share/GDS register or the share/GDS register of the foreign registrar from your name to the name of the depositary or its agent when you deposit or withdraw shares/GDSs
A distribution fee equivalent to the fee that would be payable if securities distributed to you had been shares and GDSs and the shares and GDSs had been deposited for issuance of European Units, which is calculated with reference to the issuance fees listed above	Distribution of securities to holders of deposited securities which are distributed by the depositary to European Unit holders
Expenses of the depositary	Conversion of foreign currency to U.S. dollars Cable, telex and facsimile transmission expenses Servicing of shares or other deposited securities Any payment due or made by the European Unit depositary acting as a owner of record of the GDSs
Taxes and other government charges the European Unit depositary or the custodian have to pay on any European Units or deposited securities, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
$0.05 (or less) per European Unit per calendar year	Depositary services

In addition, European Unit holders will have to pay us the cancellation fees described below (see "—Cancellation of European Units Other than for Exchange into Brazilian Units") in the event European Unit holders wish to cancel their European Units to hold the underlying securities, absent a request to exchange such European Units for Brazilian Units (see "—Exchange of European Units for Brazilian Units"), which will be payable through BNY Mellon.

European Unit holders will also be required to pay any applicable fees in connection with the GDSs. See "—Global Depositary Receipts (GDSs)—Charges of the GDS Depositary."

Amendment or Termination of the European Unit Program

We may amend the European Unit deposit agreement without the consent of European Unit holders for any reason. However, if the amendment adds or increases fees or charges (except for taxes and other governmental charges or registration fees, cable, SWIFT, e-mail or fax transmission costs, delivery costs or other such expenses) or prejudices your material rights as a European Unit holder, such amendment will not become effective as to outstanding European Units until 30 days after the European Unit depositary gives notice of the amendment to European Unit holders. In addition, we have the right to replace BNY Mellon as the European Unit depositary with another Unit depositary at any time without the consent of the European Unit holders.

The European Unit depositary will terminate the European Unit deposit agreement if we ask it to do so, by mailing notice of termination to you at least 30 days before termination. The depositary may also terminate the European Unit deposit agreement if the European Unit depositary has told us that it would like to resign and we have not appointed a new depositary bank within 60 days.

After termination, the European Unit deposit agreement requires the European Unit depositary and its agents to do only the following under such deposit agreement:

- collect dividends and other distributions on the deposited securities;
- sell rights and other property as provided in the Unit deposit agreement; and
- deliver shares and other deposited securities upon surrender of European Units.

Four months or more after the date of termination, the European Unit depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the net proceeds of the sale, as well as any other cash it is holding under the applicable deposit agreement for the pro rata benefit of the European Unit holders that have not surrendered their Units. It will not invest the net proceeds of the sale and other cash and will have no liability for interest. The European Unit depositary's only obligations will be to account for the proceeds of the sale and other cash. After termination of the deposit agreement, our only obligations will be with respect to indemnification and to pay certain amounts to the depositary.

Liability of Owner for Taxes

You will be responsible for any taxes or other governmental charges payable on your European Units or on the deposited securities underlying your European Units. The European Unit depositary may refuse to register a transfer of your European Units or allow you to withdraw the deposited securities underlying your European Units until these taxes or other charges are paid. It may apply payments owed to you or sell part of your European Units to pay any taxes you owe, and you will remain liable for any deficiency. If it sells your European Units, it will, if appropriate, reduce the number of European Units to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Exchange of European Units for Brazilian Units

European Unit holders may at any time request to exchange all or part (provided that the cancellation resulting from such exchange results in whole Units) of their European Units for Brazilian Units at an exchange ratio of 1:1 by (i) surrendering their European Units and (ii) giving irrevocable instructions to BNY Mellon, as European Unit depositary, to (A) deposit BPP Class A shares and BPP Class B shares with BNY Mellon, acting as BDR custodian for Bradesco, surrender GDSs and instruct the GDS depositary to deposit Banco common shares and Banco Series A preferred shares to Bradesco, as Brazilian Unit depositary and (B) instruct Bradesco, as BDR depositary and Brazilian Unit depositary to issue corresponding BDRs and a corresponding number of Brazilian Units.

The exchange of European Units for Brazilian Units is expected to be effected without unreasonable delay, but may not be permissible if either BNY Mellon or Bradesco is prevented or delayed by law or circumstances beyond its and our control in performing their respective obligations necessary to effectuate such exchange in accordance with the Units agreements.

European Unit holders will be required to pay issuance fees to BNY Mellon, as GDS depositary, and to Bradesco, as Brazilian Unit depositary and BDR depositary, to receive the Brazilian Units in exchange for their European Units (see "Description at Units, BDRs and GDSs—The Brazilian Units—Brazilian Unit Program Fees" and "—Brazilian Depositary Receipts (BDRs)—Charges of the BDR Depositary"). In addition, there are Brazilian tax consequences of such exchange (see "Taxation—Brazilian Tax Considerations.")

For Dutch tax purposes, an exchange of European Units for Brazilian Units should not trigger a taxable event as such for a Dutch Holder or Non-Dutch Holder (see "Taxation—Certain Dutch Tax Considerations"), provided that such holder may rely on a roll-over facility to postpone unrealized capital gains upon such exchange. In any event, such exchange will not affect the tax position of Dutch Holders subject to a deemed return on an individual's yield basis (*rendementsgronslag*). See "Taxation—Certain Dutch Tax Considerations." We recommend that European Unit holders consult their own tax advisers as to the particular Dutch tax consequences of an exchange.

Cancellation of European Units Other than for Exchange into Brazilian Units

European Unit holders who wish to cancel their European Units for purposes other than the exchange of the European Units for the Brazilian Units will be required to pay an additional cancellation fee to us (which will be payable through BNY Mellon) equal to 10% of the trading price of the Brazilian Units on BM&FBOVESPA on the last trading day of the month prior to such date cancellation is requested and converted into euros using the exchange rate of such trading day provided in the by-laws of Banco BTG Pactual.

In addition, the cancellation of European Units, including as a result of an exchange, will require European Unit holders to provide the assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs."

Upon the cancellation of the European Units, trading in GDSs, BPP Class A shares or BPP Class B shares, as separate classes of securities, on NYSE Euronext Amsterdam will only be permitted upon our express written notice given at our exclusive discretion to NYSE Euronext Amsterdam that trading in these underlying securities is authorized.

Limitations on Obligations and Liability to European Unit Holders

The European Unit deposit agreement expressly limits our obligations and the obligations of the European Unit depositary. It also limits our liability and the liability of the European Unit depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the European Unit deposit agreement without negligence or bad faith;
- are not liable if either Banco BTG Pactual or BTG Pactual Participations is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;
- are not liable if either Banco BTG Pactual or BTG Pactual Participations exercises discretion permitted under the European Unit deposit agreement;
- are not liable for the inability of any European Unit holder to benefit from any distribution that, under the terms of the European Unit deposit agreement, is not made available to European Unit holders or for any special, consequential or punitive damages for any breach of the European Unit deposit agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to the European Units or the European Unit deposit agreement on your behalf or on behalf of any other person; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

The European Unit depositary will not be liable for the acts or omissions of any securities depository, clearing agency or settlement system.

In the European Unit deposit agreement, we agree to indemnify the European Unit depositary for acting as the European Unit depositary, except for losses resulting from the European Unit depositary's negligence or bad faith, and the European Unit depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

Global Depositary Shares (GDSs)

BNY Mellon will be the GDS depositary in accordance with the terms and conditions of two GDS deposit agreements, one providing for issuance of GDSs, each representing one Banco common share, and the other providing for the issuance of GDSs, each representing one Banco Series A preferred share. The two GDS deposit agreements are identical except for the class of shares that may be deposited. The term "GDS deposit agreement" means the applicable GDS deposit agreement; the term "GDSs" means the GDSs issued under the applicable GDS deposit agreement; and the term "GDS depositary" means BNY Mellon, as depositary under the applicable GDS deposit agreement. The shares of Banco BTG Pactual represented by the GDSs will be held in custody by Bradesco, in its capacity as the Brazilian custodian. The GDS deposit agreement and the GDSs are governed by the laws of New York.

The GDSs are part of our European Units. Accordingly, (i) the European Unit depositary will be the holder of record of all GDSs and (ii) your rights with respect to the Banco common shares and Banco Series A preferred shares underlying the GDSs derive from and will be limited by the GDS deposit agreement in addition to the European Unit deposit agreement.

GDS Deposit Agreement

The GDS deposit agreement governs the relationship among Banco BTG Pactual, BNY Mellon, in its capacity as the GDS depositary, and the owners and holders of GDSs with respect to the issuance, cancellation and registration of the GDSs representing the Banco common shares and Banco Series A preferred shares held by Bradesco, in its capacity as the Brazilian custodian. The GDS deposit agreement also establishes rights and obligations of BNY Mellon, in its capacity as GDS depositary, in connection with the GDS program and governs the actions of the GDS depositary with respect to the management of the GDS program and the services to be performed by the GDS depositary for the holders of GDSs.

GDS Registry Book

All the GDSs will be registered in the name of the European Unit depositary or a nominee of a common depositary for Euroclear and Clearstream. The GDS depositary will be the holder of the shares represented by the GDSs. The rights of GDS holders under the GDS deposit agreements described in this section belong to the registered holders of the GDSs. All persons other than the GDS depositary that hold GDSs will hold security entitlements directly or indirectly through securities intermediaries that are participants in Euroclear or Clearstream. You will not be entitled to have GDSs registered in your name or receive a separate GDR except under special circumstances that are set out in the GDS deposit agreements. Therefore, you must rely on the procedures of Euroclear or Clearstream, as applicable, and any other securities intermediary through which you hold your interests in GDSs to assert the rights of GDS holders described in this section. You should consult with that securities intermediary to find out what those procedures are.

DESCRIPTION OF UNITS, BDRS, AND GDSS

As a holder of GDSs, you will have GDS holder rights as set forth in the GDS deposit agreement. The GDS deposit agreements also set forth the rights and obligations of Banco BTG Pactual and the rights and obligations of the GDS depositary. New York law governs the GDS deposit agreement and the GDSs.

Transfer Restrictions

The GDSs and the securities represented thereby will be subject to restrictions on transfer that are described under "Transfer Restrictions."

Deposit and Withdrawal

The GDS depositary will deliver GDSs if Banco BTG Pactual, BTG Pactual Participations, or you or your broker deposits each of the securities to be represented by GDSs with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the GDS depositary will deliver the appropriate number of GDSs as you request. Each deposit of securities must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Issuance." If the European Unit depositary is the holder of record of the GDSs being issued as a result of the deposit, such representations, assurances and certifications will be provided by the European Unit holders.

You may at any time surrender your GDSs to the GDS depositary for withdrawal of the deposited securities, subject to the payment of the required fees, including processing fees, expenses and of any taxes or charges, such as stamp taxes or share transfer taxes, and subject to the provisions of the GDS deposit agreement, the GDS depositary will deliver the amount of deposited securities represented by those GDSs to you or otherwise as you direct. Any physical delivery of deposited securities will be made only at your request, risk and expense. Each cancellation of GDSs must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Cancellation." If GDSs are being cancelled as a result of the exchange of a European Unit for a Brazilian Unit, such representations, assurances and certifications will be provided by the European Unit holders. You may only surrender your GDSs for withdrawal of the deposited securities if the European Units have also been cancelled.

Upon the surrender of GDSs, trading of the underlying Banco common shares and Banco preferred shares will not be possible on NYSE Euronext Amsterdam.

Dividends and Other Distributions

For the years ended December 31, 2010, 2011 and 2012, Banco BTG Pactual paid dividends and interest on equity in accordance with the following:

Year	Type	Total shares issued	Total dividend	Dividend per share(2)	Dividend as per shares issued in December 31, 2012	Dividend per European unit(1)	Dividend as per European unit issued in December 31, 2012(1)
			(in R$ Millions)		(in R$)		
2010	Dividend	1,253,583,889	846.6	0.540	0.312	1.621	0.936
2010	Interest on equity	1,253,583,889	15.4	0.012	0.006	0.037	0.017
2011	Dividend	2,400,000,000	692.0	0.288	0.255	0.865	0.765
2011	Interest on equity	2,400,000,000	319.0	0.132	0.117	0.399	0.352
2012	Interest on equity	2,648,400,000	373.9	0.139	0.138	0.418	0.413
2012	Interest on equity	2,707,996,008	440.0	0.164	0.162	0.493	0.486

(1) European Units were created in IPO in April 2012 and therefore the dividends per European Unit for the years 2010 and 2011 are been provided only for information purpose.

(2) All classes of shares from Banco BTG Pactual have equal rights to dividends and interest on equity. As a result, the dividend per share corresponds to dividend paid to each Banco common share and to each Banco Series A preferred shares, in the form of Global Depositary Shares ("GDSs"), which are part of the European Unit.

For all relevant years, BTG Pactual Participations did not distributed dividends on the shares comprising the European Units.

Cash Dividends

The GDS depositary will distribute all cash or other distributions, after deduction of the fees and expenses of the GDS depositary, to the GDS holders, including the European Unit depositary. If the GDSs are held as part of the European Unit, any cash distributions will be made to the European Unit depositary, which will in turn distribute the proceeds received to the European Unit holders as described under "Description of Units, BDRs and GDSs—The European Units—Dividends and Other Distributions to European Unit Holders."

For cash distribution purposes, the amounts in *reais* will be converted into euros based on the market exchange rate available to the GDS depositary on the day it is notified by its custodian of the receipt of the dividend. Before making a distribution, any withholding taxes that must be paid under any applicable law will be deducted. See "Taxation—Certain Dutch Tax Considerations."

Preemptive Rights

If Banco BTG Pactual offers any right to subscribe for additional Banco common shares and Banco Series A preferred shares to holders of Banco common shares and Banco Series A preferred shares, the European Unit depositary may make those rights available for exercise by European Unit holders as described under "Description of Units, BDRs and GDSs—The European Units—Dividends and Other Distributions to European Unit Holders—Preemptive Rights."

The GDS depositary may make rights available for exercise by holders of GDSs outside the European Unit program, but only if Banco BTG Pactual instructs it to do so and furnishes satisfactory evidence that it would be legal for those holders to do so.

If rights are not made available for exercise by GDS holders, the GDS depositary may sell those rights and distribute the proceeds of that sale to GDS holders entitled to them, net of its fees, expenses and any applicable taxes. If rights are made available for exercise, upon payment to BNY Mellon of the necessary funds, fees and taxes required for such subscription, BNY Mellon will exercise those preemptive rights as instructed and deliver the additional GDSs or underlying securities to the GDS depositary.

Other Distributions

The GDS depositary will send GDS holders anything else we distribute on deposited securities by any means it thinks is equitable and practical. The GDS depositary may withhold any distribution of securities if it has not received satisfactory assurances from us that such distribution does not require registration under the Securities Act. If it cannot make the distribution to GDS holders, including the European Unit depositary, the GDS depositary may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash, or it may decide to hold what we distributed, in which case the outstanding GDSs will also represent the newly distributed property. The GDS depositary may withhold any fees and expenses, taxes or other governmental charges it thinks are applicable in this process. The GDS depositary may sell a portion of the distributed securities or other property that is sufficient to pay its fees and expenses in connection with the distribution.

The GDS depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to GDS holders, including the European Unit depositary. We have no obligation to register GDSs or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of any securities to the European Unit depositary and, consequently, to you. ***This means that you may not receive the distribution we make on our securities or any value for them if it is illegal or impractical for us to make them available to you.***

Voting of Deposited Securities

Subject to applicable law and the by-laws of Banco BTG Pactual, the European Unit depositary may instruct the GDS depositary to vote the number of securities underlying the GDSs that are part of your European Units. See "Description of Units, BDRs and GDSs—The European Units—Voting of Underlying Securities."

In the case of GDSs held outside the European Unit program, GDS holders may instruct the GDS depositary directly to vote the number of securities your GDSs represent, subject to the by-laws of Banco BTG Pactual, applicable law and the GDS deposit agreement. BNY Mellon, in its capacity as GDS depositary, will notify GDS holders of shareholders' meetings of Banco BTG Pactual and will arrange to deliver Banco BTG Pactual's voting materials to GDS holders if Banco BTG Pactual instructs it to do so. Those materials will describe the matters to be voted on and explain how GDS holders may instruct the GDS depositary how to vote. For instructions to be valid, they must reach the GDS depositary by a date set by the GDS depositary. The GDS depositary will try, as a far as practical, subject to the by-laws of Banco BTG Pactual, applicable law and the GDS deposit agreement, to vote the number of Banco common shares or Banco Series A preferred shares, as the case may be, represented by your GDSs, as you instruct. The GDS depositary will only vote or attempt to vote as GDS holders instruct.

We cannot ensure that GDS holders will receive voting materials or otherwise learn of an upcoming shareholders' meeting of Banco BTG Pactual in time to ensure that you can instruct the GDS depositary to vote your shares. In addition, the GDS depositary and its agents are not responsible for failing to carry out voting instructions or the manner for carrying out voting instructions. This means that you may not be able to vote, and there may be nothing you can do if your shares are not voted as you requested.

Reports and Other Communications

The GDS depositary will make available to GDS holders, including the European Unit depositary, for inspection any reports and communications from Banco BTG Pactual or made available by Banco BTG Pactual at its principal executive office. The GDS depositary will also, upon Banco BTG Pactual's written request, send to GDS holders, including the European Unit depositary (and consequently to you), copies of such reports and communications furnished by Banco BTG Pactual under the GDS deposit agreement.

Amendment and Termination of the GDS Deposit Agreement

Banco BTG Pactual and the GDS depositary may amend the GDS deposit agreement without the consent of GDS holders, including the European Unit depositary (and consequently your consent), for any reason. However, if the amendment adds or increases fees or charges (except for taxes and other governmental charges or registration fees, cable, SWIFT, e-mail or fax transmission costs, delivery costs or other such expenses) or prejudices the material rights of GDS holders, including the European Unit depositary, such amendment will not become effective as to outstanding GDSs until 30 days after the GDS depositary gives notice of the amendment to GDS holders. In addition, we have the right to replace BNY Mellon as the GDS depositary with another GDS depositary at any time without the consent of the GDS holders.

The GDS depositary will terminate the GDS deposit agreement if we ask it to do so, by mailing notice of termination to you at least 30 days before termination. The depositary may also terminate the GDS deposit agreement if the GDS depositary has told us that it would like to resign and we have not appointed a new depositary bank within 60 days.

After termination, the GDS deposit agreement requires the GDS depositary and its agents to do only the following under such deposit agreement:

- collect dividends and other distributions on the deposited securities;
- sell rights and other property, as provided in the GDS deposit agreement; and
- deliver shares and other deposited securities upon surrender of GDSs.

Four months or more after the date of termination, the GDS depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the net proceeds of the sale, as well as any other cash it is holding under the applicable deposit agreement for the pro rata benefit of the GDS holders that have not surrendered their GDSs. It will not invest the net proceeds of the sale and other cash and will have no liability for interest. The GDS depositary's only obligations will be to account for the proceeds of the sale and other cash. After termination of the deposit agreement, our only obligations will be with respect to indemnification and to pay certain amounts to the depositary.

Charges of the GDS Depositary

GDS holders must pay:	for:
$5.00 (or less) per 100 GDSs or portion thereof	Each issuance of GDSs, including as a result of a distribution of shares or rights or other property Each surrender of GDSs for the purpose of withdrawal, including if the GDS deposit agreement terminates
$0.05 (or less) per GDS or portion thereof	Any cash distribution
Registration or transfer fees	Transfer and registration of shares on our share register or the share register of the foreign registrar from your name to the name of the depositary or its agent when you deposit or withdraw shares
A distribution fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of GDSs, which is calculated with reference to the issuance fees listed above	Distribution of securities to holders of deposited securities which are distributed by the depositary to GDS holders
Expenses of the depositary	Conversion of foreign currency to U.S. dollars Cable, telex and facsimile transmission expenses Servicing of shares or other deposited securities
Taxes and other government charges the depositary or the custodian have to pay on any GDSs or deposited securities, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
$0.05 (or less) per GDS per calendar year	Depositary services

Liability of Owner for Taxes

You will be responsible for any taxes or other governmental charges payable on your GDSs or on the deposited securities underlying your GDSs. The GDS depositary may refuse to register a transfer of your GDSs or allow you to withdraw the deposited securities underlying your GDSs or European Units until these taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your GDSs to pay any taxes you owe, and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of GDS to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Limitations on Obligations and Liability to Holders of GDSs

The GDS deposit agreement expressly limits our obligations and the obligations of the GDS depositary. It also limits our liability and the liability of the GDS depositary. We and the GDS depositary:

- are only obligated to take the actions specifically set forth in the GDS deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement;
- are not liable if either of us exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any GDS holder to benefit from any distribution that, under the terms of the deposit agreement, is not made available to holders or for any special, consequential or punitive damages for any breach of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the GDSs or the GDS deposit agreement on your behalf or on behalf of any other person; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party.

The depositary will not be liable for the acts or omissions of any securities depositary, clearing agency or settlement system.

In the GDS deposit agreement, we agree to indemnify the GDS depositary for acting as GDS depositary, except for losses resulting from the GDS depositary's negligence or bad faith, and the GDS depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

Common provisions to the European Unit program and GDS program

Requirements for the European Unit and GDS Depositary Services

Before BNY Mellon, in its capacity as both European Unit depositary and GDS depositary, delivers or registers the transfer of European Units or GDSs or makes a distribution on the European Units or the GDSs, as the case may be, BNY Mellon may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any European Units or underlying securities (including GDSs) or other deposited securities;
- delivery of satisfactory proof of citizenship or residence, exchange control approval or other information it deems necessary or proper;
- delivery of any representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs;" and
- compliance with regulations it may reasonably establish, from time to time, including presentation of transfer documents.

BNY Mellon may refuse to register transfers or distributions when its books are closed.

DESCRIPTION OF UNITS, BDRS, AND GDSS

The Brazilian Units

Each Brazilian Unit represents (i) one Banco common share, (ii) two Banco Series A preferred shares and (iii) three BDRs (of which one represents one BPP Class A share and two represent one BPP Class B share each.)

Brazilian Unit Depositary

Bradesco acts as the Brazilian Unit depositary and is responsible for the cancellation and registration in Brazil of the Brazilian Units in accordance with the Brazilian Unit deposit agreement. See "—Limitations on Obligations and Liability to Brazilian Unit Holders." In addition, Bradesco manages the Brazilian Unit program and provides registration services to the Brazilian Unit holders.

Brazilian Unit Registry Book

Holders of Brazilian Units have Brazilian Unit holder rights as set forth in the Brazilian Unit deposit agreement. That Brazilian Unit deposit agreement also sets forth the rights and obligations of BTG Pactual Participations, Banco BTG Pactual and the Brazilian Unit depositary.

Brazilian Units are evidenced by electronic book entries in Bradesco's book entry system. The Brazilian Units were issued by Bradesco, in its capacity as the Brazilian Unit depositary, and, in general, are deposited in a custody account maintained at the BM&FBOVESPA, the fiduciary holder of the Brazilian Units. Transactions carried out on BM&FBOVESPA are cleared within the BM&FBOVESPA, which administers the multilateral settlement of both financial obligations and transactions involving securities.

Ownership of the Brazilian Units is generally shown on, and transfer of the ownership of the Brazilian Units is generally effected through, records maintained by BM&FBOVESPA and is evidenced by the custodial account statement issued by BM&FBOVESPA. No physical certificates evidencing Units will be issued and, accordingly, delivered to Brazilian Unit holders. Any transfer of the Brazilian Units will generally be conducted through broker-dealers or institutions authorized to operate on BM&FBOVESPA.

Bradesco is the registered holder of the Banco common shares, Banco Series A preferred shares and BDRs underlying the Brazilian Units, and Bank of New York Mellon, in its capacity as the European custodian, is the registered holder of BPP Class A shares and BPP Class B shares underlying the BDRs.

Bradesco may make a list of Unit holders available to us, the BM&FBOVESPA, the CVM and other regulatory agencies, if so requested.

Transfer Restrictions

The Brazilian Units and the securities represented thereby are subject to restrictions on transfer that are described under "Transfer Restrictions" and "—Cancellation of Brazilian Units and Applicable Fees."

Deposit and Withdrawal

The Brazilian Unit depositary will deliver Brazilian Units if Banco BTG Pactual, BTG Pactual Participations, or you or your broker deposits each of the securities to be represented by Brazilian Units with Bradesco. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Brazilian Unit depositary will deliver the appropriate number of Brazilian Units as you request. Each deposit of securities underlying the Brazilian Units must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Issuance."

You may at any time surrender your Brazilian Units to the Brazilian Unit depositary for withdrawal of the deposited securities, subject to the payment of the fees described below. Upon payment of any required fees, including the cancellation fee (if applicable) and other processing fees, expenses and of any taxes or charges, such as stamp taxes or share transfer taxes, and subject to the provisions of the Brazilian Unit deposit agreement, the Brazilian Unit depositary will deliver the amount of deposited securities represented by those Brazilian Units to you or as you direct. The cancellation of the Brazilian Units, including as a result of the exchange of Brazilian Units for European Units but excluding in connection with the exercise of tag-along rights, must also be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Issuance."

Notwithstanding the foregoing, no deposited securities may be withdrawn upon surrender of Brazilian Units unless the Brazilian Unit depositary has received:

- if withdrawal is requested in order to effect an exchange of a Brazilian Unit for a European Unit or to exercise tag-along rights (see "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events"), all required instructions and forms duly executed, as well as applicable fees, as described under "—Exchange of Brazilian Units for European Units" and "—Brazilian Unit Program Fees";or

- if withdrawal is requested for any reason other than in connection with an exchange of the Brazilian Units into European Units or the exercise of tag-along rights, satisfactory evidence that payment of the cancellation fee was made to Bradesco, as described below.

Under the by-laws of Banco BTG Pactual, the directors of Banco BTG Pactual may at any time, in coordination with BTG Pactual Participations, as applicable, suspend for a specified period of time, which shall not exceed 360 days, the issuance and cancellation of Brazilian Units in the event of (i) a public offering of the Units, whether primary or secondary, either in Brazil or abroad or (ii) the board of directors of Banco BTG Pactual determines, in its discretion, that such suspension is strategically important to improve the liquidity of Units in Brazil.

Dividends and Other Distributions to Brazilian Unit Holders

Brazilian Unit holders are entitled to receive the economic benefits to which they would be entitled if they were direct holders of the BDRs and the Banco common shares and Banco Series A preferred shares underlying the Brazilian Units, subject to the limitations provided under the Brazilian Unit deposit agreement and the BDR deposit agreement. Notwithstanding the below, the Brazilian Unit depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any Brazilian Unit holders. We have no obligation to register Brazilian Units or other securities under the Securities Act. We have no obligation to take any other action to permit the distribution of any securities to the Brazilian Unit holders. This means you may not receive the distribution we make on our securities or any value for them if it is illegal or impractical to make them available to you.

Brazilian Unit holders are entitled to receive the economic benefits of the Banco common shares and Banco Series A shares duly approved by Banco BTG Pactual as of the date the Central Bank approved the capital increase of Banco BTG Pactual in connection with our initial public offering. The subscription receipts do not entitle Brazilian Unit holders to any rights other than the automatic conversion of subscription receipts into Banco common shares or Banco Series A preferred shares, as the case may be, following the date the Central Bank approved the capital increase of Banco BTG Pactual in connection with our initial public offering. Subscription receipts will not be traded separately at any time.

Cash Dividends

Cash dividends are distributed by Bradesco directly to the Brazilian Unit holders or through BM&FBOVESPA, as the case may be, in *reais* in proportion to their respective Unit holdings. The cash distributions to be received in connection with the BDRs will be converted from U.S. dollars into *reais* pursuant to the BDR deposit agreement and will be rounded down to the nearest whole *centavo*, if applicable. Before making a distribution, the fees of the Brazilian Unit depositary and the BDR depositary and any withholding taxes that must be paid under applicable law will be deducted.

All cash distributions to Brazilian Units holders will be made by means of one of the following:

- by the Brazilian Unit depositary to the BM&FBOVESPA, which will distribute the funds to the relevant brokerage firms, who will be ultimately responsible for distribution to the Brazilian Unit holders;
- through crediting the accounts of Brazilian Unit holders held at Bradesco;
- using electronic banking; or
- in person at a Bradesco branch listed in the Brazilian Unit deposit agreement.

Distributions of Securities Represented by the Brazilian Units

We intend, in general, to make distributions of new Banco common shares, Banco Series A preferred shares and fully paid up BPP Class A shares and BPP Class B shares represented by BDRs as dividends in numbers appropriate and sufficient to create new Brazilian Units. See "Dividends and Dividend Policy." Accordingly, after such distributions, we will deposit such securities into the Brazilian Unit program and Bradesco will issue and credit additional Brazilian Units representing such securities in favor of the holders of outstanding Brazilian Units in proportion to their respective Brazilian Unit holdings, provided that BTG Pactual Participations and Banco BTG Pactual, as the case may be, first instruct Bradesco to do so and, if so requested, furnish it with satisfactory evidence that such distribution is legal.

In the event we distribute Banco common shares, Banco Series A preferred shares, BPP Class A shares or BPP Class B shares in amounts insufficient or inappropriate to permit the creation of new Brazilian Units, including as a result of any stand-alone distributions by Banco BTG Pactual or BTG Pactual Participations, as the case may be, Bradesco will (i) amend the Brazilian Units to represent the securities so distributed, if requested by us or (ii) distribute directly to Brazilian Unit holders the BDRs, Banco common shares or Banco preferred shares so distributed, which shall be held by Brazilian Unit holders outside the Brazilian Unit program.

Preemptive Rights

In the event that each of Banco BTG Pactual and BTG Pactual Participations offers preemptive rights to Brazilian Unit holders which, following the exercise thereof, would permit the creation of new Brazilian Units, each Brazilian Unit holder will have the right to instruct Bradesco or its respective brokerage firm, as the case may be, to (i) subscribe for that holder's proportionate share of those additional underlying securities and (ii) issue corresponding new Brazilian Units. In these cases, such Unit holder must transfer to Bradesco or its respective brokerage firm, as the case may be, the necessary funds required for the subscription of those additional Brazilian Units and pay the fees and applicable taxes in connection therewith.

In the event that (i) we offer preemptive rights to Brazilian Unit holders which, following the exercise thereof, would permit the creation of new Brazilian Units as described above, and a Brazilian Unit holder wishes to (A) exercise such preemptive rights with respect to a certain class or classes of underlying securities that would not result in the issuance of Brazilian Units or (B) exercise such preemptive rights and, following the exercise thereof, hold the securities outside the Brazilian Unit program, or (ii) either Banco BTG Pactual or BTG Pactual Participations, as the case may be, offers preemptive rights to Brazilian Unit holders with respect to a particular class or classes of securities represented by the Brazilian Units on a stand-alone basis such that the exercise thereof would not permit the creation of new Brazilian Units, Brazilian Unit holders will have the right to instruct Bradesco or its respective brokerage firm, as the case may be, to subscribe for their proportionate share of any particular class or classes of such securities. Following transfer to Bradesco of the necessary funds required for subscription of those additional securities and any fees and applicable taxes, the Brazilian Unit depositary will distribute the BDRs, Banco common shares and Banco Series A preferred shares, as the case may be, resulting from the exercise of these preemptive rights to the respective Brazilian Unit holders, which will be held outside the Brazilian Unit program.

In lieu of exercising their preemptive rights, Brazilian Unit holders may instruct Bradesco to sell or transfer such rights to other Brazilian Unit holders or investors on the open market.

We cannot assure you that you will be able to timely exercise the preemptive rights in the same manner as an owner of record of the deposited securities.

Other Distributions

We may also make other types of distributions that are not described above to the Brazilian Unit holders, in which case Bradesco will credit directly or indirectly, as the case may be, the Brazilian Unit holders' accounts in proportion to their respective Brazilian Unit holdings or by any other means it determines to be equitable and practical. If, given the nature or type of asset being distributed, Bradesco believes that it is unable to make such distributions proportionally, Bradesco may elect to make such distribution through any procedure that it determines, at its discretion, is more equitable and appropriate. Bradesco will not be held responsible if it considers any distributions to a Unit holder illegal or not feasible.

Voting of Securities Underlying the Brazilian Unit

Brazilian Unit holders are entitled to exercise voting rights with respect to the deposited securities pursuant to the by-laws of Banco BTG Pactual, the bye-laws of BTG Pactual Participations, Brazilian Corporations Law and the Bermuda Companies Act and the BDR deposit agreement. To exercise these rights, Brazilian Unit holders will be required to provide voting instructions directly to Bradesco, as the Brazilian Unit depositary, in accordance with the terms and conditions of the Brazilian Unit deposit agreement and the BDR deposit agreement.

Subject to applicable law and the by-laws of Banco BTG Pactual and the bye-laws of BTG Pactual Participations, you may instruct Bradesco to vote the number of deposited securities your Brazilian Units represent. Bradesco will arrange that you are notified of shareholders' meetings of Banco BTG Pactual and BTG Pactual Participations at which the underlying securities have voting rights and arrange to deliver our voting instructions form to you. In addition, Bradesco will make available at its headquarters any additional materials relating to such meetings that are provided to Bradesco by Banco BTG Pactual or BTG Pactual Participations. The voting instructions form will describe the matters to be voted on and explain how you may instruct Bradesco to vote. For instructions to be valid, they must reach Bradesco five days in advance of the date of the applicable shareholders' meeting. Bradesco will try, to the extent practical, to vote the number of deposited securities represented by your Brazilian Units as you instruct and will only vote or attempt to vote as you instruct.

We cannot ensure that you will receive voting materials or otherwise learn of an upcoming shareholders' meeting of Banco BTG Pactual or BTG Pactual Participations in time to ensure that you can instruct Bradesco to vote your shares underlying the Brazilian Units. In addition, Bradesco and its agents are not responsible for failing to carry out voting instructions if such instructions are defective or are not received in time. This means that you may not be able to vote, and, unless you become a direct holder of the securities underlying the Brazilian Units, there may be nothing you can do if your shares are not voted as you requested.

Changes Affecting Securities Underlying the Brazilian Unit

If a change in Banco common shares, Banco Series A preferred shares and the BPP Class A shares and BPP Class B shares underlying the BDRs were to occur as a result of a change in the nominal or par value, a split-up, cancellation, consolidation or re-classification or other alteration of such securities or as a result of a recapitalization, reorganization, amalgamation, merger, consolidation or sale of our assets, the Brazilian Units will, to the extent permitted by law, represent the right to the property received or exchanged in respect of the

Banco common shares, Banco Series A preferred shares and BDRs, as the case may be, underlying the Brazilian Units.

Brazilian Unit Program Fees

Our Unit program in Brazil is governed by the Brazilian Unit deposit agreement. Brazilian Unit holders must pay Bradesco the following fees to act as Brazilian Unit depositary:

- taxes (including withholding taxes pursuant to applicable laws as described under "Taxation");
- applicable fees to BM&FBOVESPA and other governmental charges or registration fees;
- the cancellation fees described below (see "—Cancellation of Brazilian Units and Applicable Fees");
- R$50.0 for the transfer of Units outside the BM&FBOVESPA (including, over-the-counter transfers and upon death, court order and donation, among others); and
- issuance fee of R$0.10 per issued or cancelled Brazilian Unit.

No fees apply to the initial issuance of Brazilian Units, payments of dividends and distributions that would not result in the issuance of Units, except for the withholding taxes pursuant to applicable laws. Brazilian Unit holders are also be required to pay applicable fees in connection with the BDRs. See "—Brazilian Depositary Receipts (BDRs)—Charges of the BDR Depositary."

You will be responsible for any taxes or other governmental charges payable on your Brazilian Units or on the deposited securities underlying your Brazilian Units. Bradesco may refuse to register a transfer of your Brazilian Units or allow you to withdraw the deposited securities underlying your Brazilian Units until these taxes or other charges are paid. It may apply payments owed to you or sell part of your Brazilian Units to pay any taxes you owe, and you will remain liable for any deficiency. If it sells your Brazilian Units, it will, if appropriate, reduce the number of Brazilian Units to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Amendment or Termination of the Brazilian Unit Program

We may amend the Brazilian Unit deposit agreement without the consent of Brazilian Unit holders for any reason. However, if the amendment prejudices your material rights, including due to a material increase in costs and fees (with the exception of taxes, registration fees, transfer costs and similar expenses), such amendment will only come into full force and effect 30 days following the communication of such amendment to you.

In addition, at any time, we may replace the Brazilian Unit depositary with another Brazilian Unit depositary, or Bradesco may resign from serving as Brazilian Unit depositary, in each case without the consent of Brazilian Unit holders. In such cases, Bradesco will cease to be Brazilian Unit depositary upon the earlier of: (i) the appointment by us of a new Brazilian Unit depositary or (ii) 90 days following the communication of such amendment to you. If, following the expiration of this 90-day period, no new Brazilian Unit depositary has been appointed, the Brazilian Unit holders will be entitled to appoint a new Brazilian Unit depositary in accordance with the provisions of the Brazilian Unit deposit agreement.

Exchange of Brazilian Units for European Units

Brazilian Unit holders may at any time request to exchange all or part (provided that the cancellation resulting from such exchange results in whole Units) of their Brazilian Units for European Units at an exchange ratio of 1:1 by (i) surrendering their Brazilian Units and (ii) giving irrevocable instructions to Bradesco, as Brazilian Unit depositary and BDR depositary, to irrevocably (A) cancel their Brazilian Units and BDRs, (B) deposit Banco common shares and Banco Series A preferred shares with Bradesco, acting as GDS custodian for BNY Mellon, and BPP Class A Shares and BPP Class B Shares with BNY Mellon, acting as European Unit custodian and (C) instruct BNY Mellon, as GDS depositary, to deliver and deposit GDSs with BNY Mellon as European Unit depositary and (D) instruct BNY Mellon, as European Unit depositary, to deliver a corresponding number of European Units. In addition, Brazilian Unit holders will be required to provide assurance and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs."

The exchange of Brazilian Units for European Units, subject to Banco BTG Pactual's by-laws and BTG Pactual Participations' bye-laws, but may not be permissible in certain limited circumstances described in the Brazilian Unit deposit agreement and the European Unit deposit agreement. Following such exchange, former Brazilian Unit holders will receive the rights and benefits, and will be subject to the same limitations, as European Unit holders, as set forth in the European Unit deposit agreement.

Holders of Brazilian Units will be required to pay certain fees and taxes in connection with the exchange of their Brazilian Units for European Units. In order to effectuate such exchange, Brazilian Unit holders will be required to pay issuance fees to BNY Mellon, as European Unit depositary and GDS depositary, to receive the European Units in exchange for their Brazilian Units (see "—The European Units—European Unit Program Regular Fees" and "—Global Depositary Shares (GDSs)—Charges of the GDS Depositary"). In addition, there are IOF tax consequences of such exchange as a consequence of the creation of GDSs through the deposit of Banco common shares and Banco Series A preferred shares with Bradesco, acting as GDS custodian for BNY Mellon, as well as cancellation of BDRs. (see "Tax—Brazilian Tax Considerations").

Cancellation of Brazilian Units and Applicable Fees

Brazilian Unit holders who wish to cancel their Brazilian Units for purposes other than the exchange of the European Units for the Brazilian Units or, solely to the extent necessary to exercise tag-along rights (see "Description of Capital Stock—Banco BTG Pactual—Special Tender Offer Rights under Control Acquisition Events—100% Tender Offer Required by Banco BTG Pactual's By-laws" and "Description of Capital Stock—BTG Pactual Participations—Mandatory Tender Offer—Tender Offer Required in connection with Transfer of Control to Third Party Control Buyer"), will be required to pay a cancellation fee to us equal to up to 10% trading price of the Brazilian Units on BM&FBOVESPA on the last trading day of the month prior to such date cancellation is requested.

The cancellation form to be executed by Brazilian Unit holders will require such holders to inform Bradesco whether the cancellation is being requested to permit the exchange of the Brazilian Units for European Units, to the extent that we have notified Bradesco that such cancellation is necessary or to exercise tag-along rights, as the case may be.

The cancellation of the Brazilian Units, including as a result of an exchange, must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs."

Pursuant to the Brazilian Unit deposit agreement, Bradesco may take up to five business days to complete the cancellation of Brazilian Unit after receiving irrevocable instructions to cancel.

See "—Brazilian Unit Program Fees" above for additional fees payable to Bradesco in order to effectuate a cancellation of Brazilian Units.

Limitations on Obligations and Liability to Brazilian Unit Holders

Bradesco, in its capacity as the Brazilian Unit depositary, is only be responsible for the issuance, registration, amendment and cancellation of the Brazilian Units and for complying with certain procedures relating to the exchange of the Brazilian Units into European Units, including any issuances or amendments of the Brazilian Units resulting from distributions of new securities by the issuers, such as Banco common shares, Banco Series A preferred shares, BDRs or any preemptive rights in connection with the Brazilian Unit program. In addition, Bradesco, in its capacity as Brazilian Unit depositary, is responsible for the distribution through BM&FBOVESPA of cash dividends related to the underlying Banco common shares and Banco Series A preferred shares, as the case may be, and, under limited circumstances described above, will use its best efforts to sell Brazilian Units in auctions on BM&FBOVESPA. See "—Brazilian Depositary Receipts (BDRs)—Dividends and Other Distributions."

Bradesco, in its capacity as Brazilian Unit depositary, (i) is only obligated to take the actions described above without gross negligence or willful misconduct; (ii) is not liable if it is prevented or delayed by law or other circumstances beyond its control from performing its obligations as Brazilian Unit depositary; (iii) may rely upon any documents that it believes in good faith to be genuine and to have been signed or presented by the proper party; (iv) is not obligated to involve itself in any legal proceeding on behalf of the Brazilian Unit holders; (v) is not liable for any failure to disclose information in Brazil, if not previously informed by Banco BTG Pactual or BTG Pactual Participations, as the case may be and (vi) is not liable for any debts in connection with the payment of dividends or other cash distributions, nor will it provide either Banco BTG Pactual or BTG Pactual Participations with a loan.

Bradesco is also responsible for additional actions with respect to the BDRs as BDR depositary. See "—Brazilian Depositary Receipts (BDRs)."

Brazilian Depositary Receipts (BDRs)

Bradesco is the BDR depositary in accordance with the terms and conditions of the BDR deposit agreement. Each BDR represents either one BPP Class A share or one BPP Class B share issued by BTG Pactual Participations, which is held in custody by BNY Mellon, in its capacity as the European custodian of the BPP Class A shares and BPP Class B shares underlying the BDRs. The rights of the holders of BDRs are governed by the laws of Bermuda and Brazil (under limited circumstances), BTG Pactual Participations' bye-laws, and the BDR deposit agreement. Brazilian Unit holders are for all purposes the indirect holders of record of the BDRs.

BDR Deposit Agreement

The BDR deposit agreement governs the relationship between BTG Pactual Participations and Bradesco, in its capacity as the BDR depositary, with respect to the issuance, cancellation and registration in Brazil of the BDRs representing BPP Class A shares and BPP Class B shares issued by BTG Pactual Participations and held by BNY Mellon, in its capacity as the European custodian. The BDR deposit agreement also establishes liabilities of Bradesco, in its capacity as BDR depositary, in connection with the BDR program and governs the actions of the BDR depositary with respect to the management of the BDR program and the services to be performed by the BDR depositary for the holders of BDRs.

BDR Registry Book

BDRs is evidenced by electronic book-entries in the BDR depositary's book-entry system.

Issuance of BDRs

The BDR depositary will issue the BDRs in Brazil after confirmation by BNY Mellon, in its capacity as the European custodian, that a corresponding amount of BPP Class A shares and BPP Class B shares have been deposited, and after confirmation that all fees and taxes due in connection with this service were duly paid, as set forth in the BDR deposit agreement. In no event may the BDR depositary issue BDRs without confirmation by the European custodian that a corresponding number of BPP Class A shares and BPP Class B shares were deposited with the European custodian.

BDRs are issued and deposited in an account maintained at Bradesco. Transfer of the ownership of BDRs underlying the Brazilian Units is effected only in accordance with and as result of transfer of ownership of the corresponding Brazilian Units representing such BDRs.

DESCRIPTION OF UNITS, BDRS, AND GDSS

For a brief description of the rules and regulations of the Central Bank regarding such matters, see "Market Information—Brazilian Units—Regulation of Brazilian Securities Markets."

Deposit and Withdrawal

The BDR depositary will deliver BDRs to a former Brazilian Unit holder or respective brokerage firm, as the case may be, upon such holder's cancellation of their Brazilian Units and requisite payment of cancellation fees in accordance with procedures described above (see "—The Brazilian Units—Cancellation and Applicable Fees") in connection with the issuance of new Brazilian Units or otherwise. Upon payment of applicable fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the BDR depositary will deliver the appropriate number of BDRs as you request. Each deposit of securities must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation of Brazilian Units and Issuance of Units, BDRs and GDSs—Issuance."

You may at any time surrender your BDRs to the BDR depositary for withdrawal of the deposited securities. Upon payment of any required fees, expenses and of any taxes or charges, such as stamp taxes or share transfer taxes or fees, and subject to the provisions of the BDR deposit agreement, the BDR depositary will deliver the amount of deposited securities represented by the BDRs to you or as you direct. Each cancellation of BDRs, including as a result of a Unit exchange or otherwise, must be accompanied by the representations, assurances and certifications described under "Transfer Restrictions—Cancellation and Issuance of Units, BDRs and GDSs—Cancellation."

Dividends and Other Distributions

Cash Dividends

Upon receipt of any cash dividends from BTG Pactual Participations, the BDR depositary will distribute such dividends directly or through BM&FBOVESPA, as the case may be, to the BDR holders. See "—The Brazilian Units—Dividends and Other Distributions to Brazilian Unit Holders." The distributions will be made proportionately to the number of BPP Class A shares and BPP Class B shares represented by the BDRs. For distribution purposes, (i) the amounts in U.S. dollars will be converted into *reais* based on the selling exchange rate in effect on the business day the BDR depositary becomes entitled to receive such dividend distribution as reported by the Central Bank and (ii) the amounts in *reais* and *centavos* will be rounded down to the next lower whole *centavo*. Before making a distribution, any withholding taxes that must be paid under any applicable law will be deducted, as applicable. See "Taxation—Brazilian Tax Considerations—Income Tax." A Brazilian Unit holder will not be entitled to interests or any other remuneration on dividends and other distributions in connection with their holdings.

In cases where BDRs are held outside the Brazilian Unit program, all cash distributions to BDR holders will by means of one of the following:

- by the BDR depositary to the BM&FBOVESPA, which will distribute the funds to the relevant brokerage firms, who will be ultimately responsible for distribution to the BDR holders;
- through crediting the accounts of BDR holders held at Bradesco;
- using electronic banking; or
- in person at a Bradesco branch listed in the BDR deposit agreement.

Distributions Other Than Cash

We intend, in general, to make distributions of new fully paid up BPP Class A shares and new fully paid up BPP Class B shares as dividends only if the number of BDRs representing such securities, together with the Banco common shares and Banco Series A preferred shares, is appropriate and sufficient to create Brazilian Units. In these cases, the BDR depositary will issue new BDRs corresponding to such new BPP Class A shares and BPP Class B shares and deposit them with the Brazilian Unit depositary, which in turn will issue new Brazilian Units to the Brazilian Unit holders provided that it received from Banco BTG Pactual the appropriate number of Banco common shares and Banco Series A preferred shares. See "—The Brazilian Units—Dividends and Other Distributions to Brazilian Unit Holders—Distributions of Securities Represented by the Brazilian Units."

BTG Pactual Participations may also make other types of distributions that are not described above to BDR holders, in which case Bradesco will credit the respective holder accounts in proportion to their respective holdings. If, given the nature or type of the asset being distributed, Bradesco believes that such distribution may not be conducted proportionally, Bradesco may elect to make such distribution through any procedure that in its discretion is more equitable and appropriate. Bradesco will not be held responsible if it considers any distributions to a Unit holder illegal or not feasible. See "—The Brazilian Units—Dividends and Other Distributions to Brazilian Unit Holders—Other Distributions."

Preemptive Rights

If BTG Pactual Participations offers to holders of BPP Class A shares or BPP Class B shares any right to subscribe for additional BPP Class A shares or BPP Class B shares (i) Brazilian Unit holders will exercise those rights through instructions delivered to the Brazilian Unit depositary directly or through their respective brokerage firms, as the case may be, as described under "—The Brazilian Units—Dividends and Other Distributions to Brazilian Unit Holders—Preemptive Rights" and (ii) BDR holders will exercise those rights through instructions delivered to the BDR depositary directly or through their respective brokerage firms, as the case may be.

Holders of BDRs outside the Brazilian Unit program may exercise their rights to subscribe for additional BPP Class A shares of BPP Class B shares through instructions to the BDR depositary. Such holders must transfer to the BDR depositary or its respective brokerage firm, as the case may be, the necessary funds required for the subscription of the additional securities and pay the fees and applicable taxes in connection therewith.

The subscription price of BPP Class A shares and BPP Class B shares to be paid by BDR holders shall be equal to the sum of (i) the subscription price in foreign currency as converted to Real according to the PTAX sale rate, published by the Central Bank on the day immediately before the disclosure to the market of the subscription notice by the BDR depositary, (ii) any amount corresponding to any fluctuation on the currency exchange rate until the payment day, and (iii) issuance fee per BDR, pursuant to the BDR deposit agreement.

Following the receipt by the BDR depositary of the necessary funds required for subscription of those additional securities and any fees and applicable taxes, the BDR depositary will distribute the BDRs resulting from the exercise of these preemptive rights to the respective BDR holders. In lieu of exercising their preemptive rights, BDR holders may instruct the BDR depositary to sell or transfer such rights to other BDR holders or investors on the open market.

Voting of Deposited Securities

BDR holders have the right to instruct directly the BDR depositary to vote with respect to the BDRs underlying the Brazilian Units, which will in turn instruct the European custodian to vote the amount of BPP Class A shares or BPP Class B shares, as the case may be, represented by the BDRs underlying the Brazilian Units on the matters specified in this Prospectus for which BPP Class A shares or BPP Class B shares are granted voting rights. See "—Voting of Securities Underlying the Brazilian Unit" and "Description of Capital Stock—BTG Pactual Participations—Voting."

However, BDR holders may not know about a meeting sufficiently in advance to timely instruct the BDR depositary to exercise the voting rights with the respect to the shares held by the European custodian.

The BDR depositary will arrange that BDR holders are notified of upcoming meeting and will arrange to deliver BTG Pactual Participations' voting instructions to the BDR holders. In addition, Bradesco will make available at its headquarters any additional materials relating to such meetings that are provided to Bradesco by Banco BTG Pactual or BTG Pactual Participations. The voting instructions form will describe the matters to be voted on and explain how BDR holders, on a certain date, may instruct the BDR depositary to instruct the European custodian to vote the underlying BPP Class A shares, BPP Class B shares or as the BDR holders direct.

For instructions to be valid, the BDR depositary must receive them five business days in advance of the date of the applicable shareholders' meeting. The BDR depositary will try, to the extent practical, subject to Bermuda law and the provisions of BTG Pactual Participations' bye-laws, to in turn instruct the European custodian to vote the underlying BPP Class A shares or the BPP Class B shares, as the case may be, as the BDR holders instruct.

The BDR depositary will only use its best efforts to instruct the European custodian to vote or attempt to instruct the European custodian to vote the BPP Class A shares or the BPP Class B shares, as the case may be, held by the European custodian if the BDR holders have sent voting instructions and such instructions have been timely received. If the BDR depositary does not receive voting instructions from BDR holders by the specified date, it will consider that there is no voting instruction to be followed and will not exercise the voting rights related to the BPP Class A shares or the BPP Class B shares, as the case may be, that the European custodian holds.

BTG Pactual Participations cannot ensure that BDR holders will receive voting materials in time to allow timely delivery of voting instructions to the BDR depositary. This means that BDR holders may not be able to vote, and the ability of BDR holders to bring an action against BTG Pactual Participations may be limited.

Reports and Other Communications

The BDR depositary will make available to BDR holders for inspection any reports and communications from BTG Pactual Participations or made available by BTG Pactual Participations at its principal executive office. The BDR depositary will also, upon BTG Pactual Participations' written request, send to the registered BDR holders copies of such reports and communications furnished by BTG Pactual Participations under the BDR deposit agreement.

Any such reports and communications furnished to the BDR depositary by BTG Pactual Participations will be furnished in Portuguese when so required under any Brazilian legislation or the terms of the BDR deposit agreement or the Brazilian Unit deposit agreement.

Amendment and Termination of the BDR Deposit Agreement

We may amend the BDR deposit agreement without the consent of BDR holders for any reason. However, if the amendment prejudices your material rights, including due to a material increase in costs and fees (with the exception of taxes, registration fees, transfer costs and similar expenses), such amendment will only come into full force and effect 30 days following the communication of such amendment to you.

In addition, at any time, we may replace the BDR depositary with another BDR depositary, or Bradesco may resign from serving as BDR depositary, in each case without the consent of BDR holders. In such cases, Bradesco will cease to be the BDR depositary upon the earlier of: (i) the appointment by us of a new BDR depositary or (ii) 90 days following the communication of such amendment to you. If, following the expiration of this 90-day period, no new BDR depositary has been appointed, the BDR holders will be entitled to appoint a new BDR depositary in accordance with the provisions of the BDR deposit agreement.

Charges of the BDR Depositary

Holders of our BDRs will pay R$0.10 per issued or cancelled BDR. Accordingly, the exchange of European Units into Brazilian Units will require holders thereof to pay such additional fees. No fees will apply to payments of dividends and other distributions, except for the withholding taxes pursuant to applicable laws.

Limitations on Obligations and Liability to Holders of BDRs

The BDR deposit agreement expressly limits the obligations and liabilities of the BDR depositary and BTG Pactual Participations. BTG Pactual Participations and the BDR depositary:

- are only obligated to take the actions specifically set forth in the BDR deposit agreement without negligence or bad faith;
- are not liable if either is prevented or delayed by law or circumstances beyond BTG Pactual Participations' or the BDR depositary's control from performing their respective obligations under the BDR deposit agreement;
- are not liable if either exercises discretion permitted under the BDR deposit agreement; and
- may rely upon any documents they believe in good faith to be genuine and to have been signed or presented by the proper party.

The BDR depositary has no obligation to become involved in a lawsuit or other proceeding related to the BDRs or the BDR deposit agreement on behalf of BDR holders or on behalf of any other person.

In the BDR deposit agreement, BTG Pactual Participations and the BDR depositary agree to indemnify each other under certain circumstances**.**

Except as otherwise provided in the applicable rules and regulations, including the rules and regulations of the Central Bank regarding registration of a BDR program (see "Market Information—Regulation of Brazilian Securities Markets"), neither BTG Pactual Participations nor the BDR depositary will have any liability or responsibility whatsoever for any action or failure to act by any, direct or indirect, owner or holder of BDRs relating to the owner's or holder's obligations under any applicable Brazilian law or regulation relating to foreign investment in Brazil in respect of a withdrawal or sale of BPP Class A shares and BPP Class B shares deposited with the European custodian, including, without limitation, any failure to comply with a requirement to register the investment pursuant to the terms of any applicable Brazilian law or regulation prior to such withdrawal, or any failure to report foreign exchange transactions to the Central Bank, as the case may be. The holder of BDRs will be responsible for the report of any false information relating to foreign exchange transactions to the BDR depositary, the CVM or the Central Bank in connection with deposits or withdrawals of BPP Class A shares and BPP Class B shares deposited with the European custodian.

Common Provisions to the Brazilian Unit Program and BDR Program

Requirements for Brazilian Unit and BDR Depositary Services

Before Bradesco, in its capacity as Brazilian Unit depositary and BDR depositary, delivers or registers the transfer of Brazilian Units or BDRs or makes a distribution on the Brazilian Units or the BDRs, as the case may be, Bradesco may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Brazilian Units or underlying securities (including BDRs) or other deposited securities;
- delivery of satisfactory proof of citizenship or residence, exchange control approval or other information it deems necessary or proper; and

- compliance with regulations it may reasonably establish, from time to time, including presentation of transfer documents.

Bradesco may refuse to register transfers or distributions when its books are closed.

Limitations

Bradesco, in its capacity as Brazilian Unit depositary and BDR depositary, is not responsible if it decides in good faith that it is unlawful or impractical to make a distribution available to any Brazilian Unit holder and we, as issuers, have no obligation to take any other action to permit such distribution.

MARKET INFORMATION

The European Units

General

Our European Units are currently listed and traded on NYSE Alternext Amsterdam, the multilateral trading facility operated by Euronext Amsterdam. We will apply for admission and listing to trading of our European Units on NYSE Euronext Amsterdam, the regulated market of Euronext Amsterdam. We expect such European Units to be traded on NYSE Euronext Amsterdam and therefore be subject to Dutch securities regulations and supervision by the AFM. The underlying securities, forming part of the European Units are expected to be listed, but not separately tradeable, on NYSE Euronext Amsterdam.

The market regulator in the Netherlands, the AFM, has supervisory powers with respect to the publication of price sensitive information by listed companies, including companies admitted to NYSE Euronext Amsterdam and will supervise compliance with the market abuse rules, including the use of inside information, as laid down in Chapter 5.4 of the FMSA.

The AFM also supervises financial intermediaries, such as credit institutions, investment firms and investment advisors. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on the regulated market of Euronext Amsterdam, except for prospectuses approved in other Member States of the European Economic Area that are used in the Netherlands in accordance with applicable passporting rules.

The surveillance department of the AFM monitors and supervises all trading operations.

Listing and trading

We will apply for admission to listing and trading of the European Units on NYSE Euronext Amsterdam.

The European Unit will trade and be listed under the symbol BTGP. The common code for the European Units is 077626751. The international securities identification number for the European Units is US05890C3034.

The GDS representing one Banco common share will be listed under the symbol BTGB. The common code for the GDS representing one Banco common share is 077615890. The international securities identification number for the GDS representing one Banco common share is US05890C1053.

The GDS representing one Banco Series A preferred share will be listed under the symbol BTGA. The common code for the GDS representing one Banco Series A preferred share is 077625569. The international securities identification number for the GDS representing one Banco Series A preferred share is US05890C2044.

The BPP A Share will be listed under the symbol BPPA. The common code for the BPP A Share is 077626450. The international securities identification number for the BPP A Share is BMG166341005.

The BPP B Share will be listed under the symbol BPPB. The common code for the BPP B Share is 07762656. The international securities identification number for the BPP B Share is BMG166341187.

The European Units will commence trading on NYSE Euronext Amsterdam on the admission date, which is expected to be on or about October 10, 2013. The European Unit is traded and denominated in euros. It is not expected that the GDSs or the BPP Shares will become separately tradeable on NYSE Euronext Amsterdam.

MARKET INFORMATION

Brazilian Units

General

Our Brazilian Units trade on BM&FBOVESPA under the symbol "BBTG11." Prior to our initial public offering, there was no public market for our Brazilian Units. BM&FBOVESPA is our only trading market for the Brazilian Units.

Reporting and Disclosure Obligations

According to Brazilian Corporations Law, securities regulations of the CVM and the rules and regulations of the BM&FBOVESPA, both Banco BTG Pactual and BTG Pactual Participations, are subject to certain disclosure and reporting requirements.

Disclosure of Occasional and Periodic Information

Pursuant to the requirements of Brazilian Corporations Law, the rules issued by the CVM and the requirements of BM&FBOVESPA, Banco BTG Pactual and BTG Pactual Participations, as publicly held companies in Brazil, are each required to disclose the following periodic information, among others:

- a registration form (*formulário cadastral*), which must be updated within seven business days if any of the information contained therein is modified;
- a reference form (*formulário de referência*) filed within five months from the end of each fiscal year, which must be updated within seven business days if certain of the information contained therein is modified;
- financial statements (together with the related management's report (*relatório da administração*), an independent auditor's auditing opinion (*parecer do auditor independente*) and representations from its officers that they have reviewed, discussed and approved the financial statements and agree with the independent auditors' auditing opinion), within three months from the end of each fiscal year, in the case of Banco BTG Pactual, and four months from the end of each fiscal year, in the case of BTG Pactual Participations, and, in the case of both Banco BTG Pactual and BTG Pactual Participations, on the date on which they are made available to the public, whichever occurs first;
- a report on a standard form containing information derived from its financial statements (*formulário de demonstrações financeiras padronizadas – DFP*) within three months from the end of each fiscal year, in the case of Banco BTG Pactual, and four months from the end of each fiscal year, in the case of BTG Pactual Participations;
- a quarterly report on a standard from containing its relevant quarterly corporate, business and financial information (*formulário de informações trimestrais – ITR*) within 45 days from the end of each quarter;
- notices of its annual shareholders' meetings (*assembleias gerais ordinárias*), which must be filed 15 days prior to the date of such meetings or on the same date that shareholders are called to attend, whichever occurs first;
- all documents necessary for shareholders to exercise their voting rights at its annual shareholders' meetings, pursuant to applicable Brazilian laws and regulations;
- minutes of its annual shareholders' meetings within seven business days from the date of such meetings; and
- reports prepared on a consolidated basis stating the quantity and characteristics of its securities and any subsequent trades or changes in previously disclosed holdings of its issued securities and each of

its derivatives that are held by the controlling shareholder and related parties, his/her spouse or common law spouse and dependents and companies directly or indirectly controlled by each of them;

In addition to the foregoing, Brazilian laws and regulations also require that each of Banco BTG Pactual and BTG Pactual Participations present to both the CVM and BM&FBOVESPA the following additional information, among others:

- notices to shareholders informing them of extraordinary or special shareholders' meetings (*assembleias gerais extraordinárias e especiais*) filed on the same date as the shareholders are called to attend;
- all documents necessary for shareholders to exercise their voting rights at extraordinary or special shareholders' meetings, pursuant to applicable Brazilian laws and regulations;
- minutes of extraordinary or special shareholders' meetings within seven business days from the date such meetings take place;
- minutes of its board of directors' meetings, within seven business days from the date such meetings occurred, if the board members decided on matters affecting third parties;
- a copy of any shareholders' agreements within seven business days from their filing at its head office;
- any material developments (*ato ou fato relevante*), on the same date a notice to the market on these developments is published (see "—Disclosure of Material Act or Fact" below);
- appraisal reports produced in accordance with Brazilian Corporations Law if it decides to go private;
- appraisal reports produced in accordance with Brazilian Corporations Law if any shareholders decide to pay for their respective stakes in the capital stock of either Banco BTG Pactual or BTG Pactual Participations, as applicable, with assets or rights that are subject to valuation;
- in the case of Banco BTG Pactual, appraisal reports produced in accordance with Brazilian Corporations Law in case any shareholder dissents at a shareholders' meeting with respect to certain actions, such as the merger, consolidation, spin-off, share merger, merger of a controlled company, or change of control of Banco BTG Pactual; the consolidated by-laws of Banco BTG Pactual and bye-laws of BTG Pactual Participations, as applicable, within seven business days from any shareholders' meeting approving modifications or amendments thereto;
- rating reports, including any updates, on the same day they are made public;
- information with respect to shareholders' agreements that its controlling shareholders are party to, as well as any shareholders' agreement that its controlling shareholders' controlled companies are party to and that companies in which the controlling shareholders hold at least 10% are party to, to the extent such shareholders' agreements may effect the voting rights or transfer of the shares of Banco BTG Pactual or BTG Pactual Participations, as the case may be;
- information regarding any change in the composition of its audit committee within seven business days from the date such change occurs;
- the approvals of any internal ruling of its audit committee (and any changes thereto) within seven business days from the date it occurs;
- the trading policy for the securities issued by it, which shall apply, at least, to each of Banco BTG Pactual and BTG Pactual Participations, as applicable, their direct or indirect controlling shareholders, directors and fiscal council members (when operating), and/or the officers and

members of any technical or advisory bodies established in the by-laws or bye-laws, as the case may be; and

- in the case of BTG Pactual Participations, information regarding the replacement of its legal representative in Brazil upon such representative's resignation, death, or the existence of conditions that impede the exercise of its duties, within 15 business days of such replacement, so long as BTG Pactual Participations qualifies as a foreign issuer pursuant to the Brazilian laws and regulations.

In addition, generally, any information or communications to shareholders or otherwise made publicly available by BTG Pactual Participations (whether under the laws and regulations of Bermuda, the Netherlands or elsewhere) must be translated into Portuguese and made publicly available in Brazil preferably at the same time as such information or communications are made publicly available elsewhere.

Disclosure of Trading by Members of the Board of Directors, Board of Officers and Fiscal Council Members

CVM regulations require the directors, officers, members of the fiscal council, when installed, and members of any technical or advising body of Banco BTG Pactual and BTG Pactual Participations, to disclose to Banco BTG Pactual or BTG Pactual Participations, as applicable, the ownership and the trading of securities issued by it or by listed companies under its control or controlled by it (if applicable), including derivatives referenced in such securities that are held by each of them as well as any change in such investment. In the case of individuals, such information shall also include securities held by such individual's spouse, companion or dependents, included in their annual income tax statement, and held by companies controlled directly or indirectly by such person(s). However, these requirements only generally apply to BTG Pactual Participations, its directors, officers, members of the fiscal council, when installed, and members of any technical or advising body of BTG Pactual Participations to the extent such requirements do not contradict with any disclosure or reporting requirements under the applicable laws and procedures of Bermuda.

The communication shall include, at least, the following information:

- the name and qualification of the person providing the information;
- the issuer, amount, by type and/or class, in the case of shares, and other characteristics in the case of other securities, as well as the remaining balance held before and after the trade; and
- the form, price and date of the transactions.

Such information must be sent (i) on the first business day after their appointment or (ii) at the submission of the request to register Banco BTG Pactual or BTG Pactual Participations, as the case may be, as a publicly held company and (iii) within five days of any applicable transaction.

Banco BTG Pactual and BTG Pactual Participations, as applicable, must send the abovementioned information to the CVM and BM&FBOVESPA, within ten days after the end of the month when changes in the positions held occurred or the month when the above-mentioned people were elected.

The above-mentioned information must be provided on an individual and consolidated basis, and the consolidated information will remain available on the CVM website.

The investor relations officer is responsible for transmitting to the CVM and BM&FBOVESPA the information received by Banco BTG Pactual or BTG Pactual Participations, as applicable, pursuant to the above.

Whenever controlling shareholder(s), either directly or indirectly, and any other shareholders who elect the members of the board of directors or fiscal council of Banco BTG Pactual or BTG Pactual Participations, as the as the case may be, as well as any individual or legal entity, or group of people working jointly or representing the same interest with respect to Banco BTG Pactual or BTG Pactual Participations, as applicable, reaches a level of ownership that represents, either directly or indirectly, 5% or more of a type or class of shares of either Banco BTG Pactual or BTG Pactual Participations, as the case may be, those shareholders or group of shareholders shall provide BM&FBOVESPA and the CVM with the following information:

- name and position of those acquiring the shares, noting the National Registry of Legal Entities (*Cadastro Nacional de Pessoa Jurídica*), or CNPJ, or the Individual Registry (*Cadastro de Pessoa Física*), or CPF, numbers;
- purpose for the acquisition and purchase amount including, if necessary, a statement from the person acquiring the shares that the purpose of the acquisition is not to alter the administrative structure or the control structure;
- number of shares, subscription bonuses, as well as rights to subscribe shares and share purchase options, as per type, class, debentures convertible into shares already owned, either directly or indirectly, by the acquirer or by a person related to the acquirer; and
- any agreement or contract governing the exercise of the right to vote or purchase and sale of securities issued by Banco BTG Pactual or BTG Pactual Participations, as applicable.

Such communication is also compulsory whenever the ownership of any reporting person or group of persons of any type or class of shares, as applicable, increases or decreases by 5%.

Disclosure of Material Act or Fact

CVM Rule No. 358 defines requirements regarding the disclosure of information regarding material acts or facts concerning publicly traded companies, including:

- defining "material fact" to include any decisions made by a controlling shareholder, resolutions from general shareholders' meetings or decisions made at the management meetings of listed companies, as well as any other act or fact of a political-administrative, technical, business, or economic-financial nature concerning the business of Banco BTG Pactual or BTG Pactual Participations, as the case may be, that may measurably impact: (i) the value of its publicly held shares; (ii) investors' decisions to buy, sell or hold shares; and (iii) investors' decisions to exercise their rights as holders of company's shares;
- providing as examples of potentially material acts or facts, among others, agreements or contracts to transfer control, addition or removal of a partner with whom Banco BTG Pactual or BTG Pactual Participations, as applicable, maintains a contract or operational, financial, technological or administrative relationship, or an incorporation, merger or split involving us or the affiliates of Banco BTG Pactual or BTG Pactual Participations, as applicable;
- requiring the investor relations officer, or, as the case may be, the controlling shareholder, the board members, officers, fiscal council members, if the latter is in place, and members of any technical or consulting committees to communicate any material facts to the CVM and BM&FBOVESPA;
- requiring the simultaneous disclosure of material facts in all markets where the shares are traded;
- requiring the buyer of controlling shares of a listed company to disclose certain information with the acquisition of the controlling stake, including whether its has the intention to cancel registration as a publicly traded company, within one year of acquisition;
- establishing rules concerning disclosure of acquisition or disposal of relevant interests in a publicly traded company; and
- establishing limits on the use of privileged information.

MARKET INFORMATION

BTG Pactual Participations is not obligated to adhere to the requirements listed above to the extent they may contradict with any disclosure or reporting requirements under the applicable laws and procedures of Bermuda.

In addition, under the terms of CVM Rule No. 358, either Banco BTG Pactual or BTG Pactual Participations may, under exceptional circumstances, submit a request for confidential treatment to the CVM concerning a material act or fact when its controlling shareholder, members of its board and officers consider such disclosure to be prejudicial to a legitimate interest of Banco BTG Pactual or BTG Pactual Participations, as the case may be.

Trading on the Brazilian Stock Exchange

The Brazilian Units trade on BM&FBOVESPA, which is a publicly held corporation incorporated under the laws of Brazil. Trading on BM&FBOVESPA is limited to member brokerage firms and a limited number of authorized non-members.

The CVM and BM&FBOVESPA have discretionary authority to suspend trading of a particular issuer's securities under certain circumstances. Trading in securities listed on BM&FBOVESPA may be effected off the exchanges in the unorganized over-the-counter market in certain circumstances.

The shares of all companies listed on BM&FBOVESPA are traded together.

Settlement of equity transactions occurs three business days after the trade date. Delivery of and payment for shares is made through the facilities of separate clearing houses for each exchange, which maintain accounts for member brokerage firms. The seller is ordinarily required to deliver the shares to the clearing house on the third business day following the trade date. The clearing house for BM&FBOVESPA is the CBLC.

In order to reduce volatility, BM&FBOVESPA has adopted a "circuit breaker" system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever specified indices of BM&FBOVESPA fall below the limits of 10% and 15%, respectively, in relation to the index levels for the previous trading session.

Although the Brazilian equity market is the largest in Latin America in terms of capitalization, it is smaller and less liquid than the major U.S. and European securities markets. BM&FBOVESPA had a market capitalization of approximately US$1.2 trillion (R$2.5 trillion) on December 31, 2012 and an average daily trading volume of US$3.6 billion (R$6.9 billion) for the year ended December 31, 2012. In comparison, the New York Stock Exchange, or NYSE, had a market capitalization of US$14.1 trillion on December 31, 2012 and an average daily trading volume of US$53.8 billion for the year ended December 31, 2012. There is also significantly greater concentration in the Brazilian securities markets. The ten most traded stocks accounted for approximately 44.0% of all shares traded on BM&FBOVESPA in 2012. Although many of the outstanding shares of a listed company may trade on BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, by government entities or by one principal shareholder. The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell our Units at the time and price you desire and, as a result, could negatively impact the market price of these securities.

Trading on the Brazilian stock exchange by non-residents of Brazil is subject to registration procedures. See "—Investment in Our Brazilian Units by Non-Residents of Brazil."

Regulation of Brazilian Securities Markets

The Brazilian securities markets are principally governed by Law No. 6,385 enacted on December 7, 1976, as amended, and Brazilian Corporations Law, each as amended and supplemented, and by regulations issued by the CVM, which has authority over stock exchanges and the securities markets generally, and the National

Monetary Council and the Central Bank, which have among other powers, licensing authority over brokerage firms and regulatory authority over foreign investments and foreign exchange transactions.

These laws and regulations, among others, provide for licensing and oversight of brokerage firms, governance of the Brazilian stock exchanges, disclosure requirements applicable to issuers of traded securities, sanctions for price manipulation and protection of minority shareholders. They also provide for restrictions on insider trading. However, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or securities markets in some other jurisdictions. Accordingly, any trades or transfers of Banco BTG Pactual equity securities by its officers, directors and controlling shareholder or any of the officers and directors of Banco BTG Pactual's controlling shareholder must comply with the regulations issued by the CVM, in particular Instruction No. 358. See "Description of Capital Stock."

Under Brazilian Corporations Law, a corporation is either publicly held (*companhia aberta*), as we will be upon approval of our registration statement by the CVM, or closely held (*companhia fechada*). All publicly held companies are registered with the CVM and are subject to reporting requirements.

We have the option to ask that trading in securities on BM&FBOVESPA be suspended in anticipation of a material announcement. Trading may also be suspended on the initiative of BM&FBOVESPA or the CVM, based on or due to, among other reasons, a belief that a company has provided inadequate information regarding a material event or has provided inadequate responses to inquiries by the CVM or BM&FBOVESPA.

The Brazilian over-the-counter market consists of direct trades between individuals in which a financial institution registered with the CVM serves as intermediary. No special application, other than registration with the CVM, is necessary for securities of a publicly held company to be traded in this market. The CVM requires that it be given notice of all trades carried out in the Brazilian over-the-counter market by the respective intermediaries.

Investment in Our Brazilian Units by Non-Residents of Brazil

Investors residing outside Brazil, including institutional investors, are authorized to purchase equity instruments, including the Brazilian Units, on BM&FBOVESPA provided that such investors comply with the registration requirements set forth in Resolution No. 2,689 and Instruction No. 325.

Subject to certain exceptions, investors are permitted under Resolution No. 2,689 to carry out any type of transaction in the Brazilian financial capital market involving a security traded on a stock exchange, futures exchange or organized over-the-counter market. Investments and remittances outside Brazil of gains, dividends, profits or other payments under our shares underlying the Units are made through the new unified exchange rate market.

In order to become a Resolution No. 2,689 investor, an investor residing outside Brazil must:

- appoint a representative in Brazil with powers to take actions relating to the investment;
- appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Central Bank and the CVM; and
- through its representative, register itself as a foreign investor with the CVM and the investment with the Central Bank.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or in the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading by foreign investors is generally restricted to transactions involving securities listed on the Brazilian stock exchanges or traded in organized over-the-counter markets licensed by the CVM.

MARKET INFORMATION

Corporate Governance

We believe that each of Banco BTG Pactual and BTG Pactual Participations maintains corporate governance structures and has processes in place that are in compliance with their respective local regulatory requirements.

Documents on Display

Subject to applicable laws, and for the life of this Prospectus, the following documents (or copies thereof), where applicable, may be obtained free of charge from BTG Pactual's website (https://www.btgpactual.com/):

- the articles of association of Banco BTG Pactual,
- the articles of association of BTG Pactual Participations,
- this Prospectus and any supplement to this Prospectus (if any),
- the audited consolidated financial statements for the years 2012, 2011 of Banco BTG Pactual,
- the audited consolidated financial statements for the years 2012, 2011 of BTG Pactual Participations,
- The unaudited consolidated financial statements prepared in accordance with IFRS as of and for the six-month period ending June 30, 2013 of Banco BTG Pactual S.A, and
- The unaudited consolidated financial statements prepared in accordance with IFRS as of and for the six-month period ending June 30, 2013 of BTG Participations Ltd.

Up-to-date investment information and press releases are freely available for download on the website.

DIVIDENDS AND DIVIDEND POLICY

General

Subject to the limitations described below, we intend to make annual dividend distributions to the holders of our Units in an amount equivalent to 25% of our combined net income, as reported in our combined financial statements prepared in accordance with Brazilian GAAP. These dividend distributions may be made by either or both Banco BTG Pactual or BTG Pactual Participations, as determined by our management, and will not depend on the net income or other performance indicators of Banco BTG Pactual and BTG Pactual Participations considered on a stand-alone basis.

Banco BTG Pactual

Brazilian Corporations Law generally allows the by-laws of Brazilian companies to specify a minimum distribution per fiscal year that must be distributed to shareholders as dividends or as interest on shareholders' equity, also known as the minimum mandatory distribution.

The by-laws of Banco BTG Pactual provide that at least 1.0% of its net income from the preceding fiscal year must be distributed to shareholders as mandatory distribution. This amount is calculated under Brazilian GAAP and adjusted under Brazilian Corporations Law, which differs in certain respects from net income as calculated under IFRS.

Amounts Available for Distribution

According to Brazilian Corporations Law and the by-laws of Banco BTG Pactual, the board of directors of Banco BTG Pactual is required to give advice on how to allocate the company's net income for the preceding fiscal year at each annual shareholders' meeting. This allocation is subject to approval by holders of Banco common shares (except in the situations indicated in "Description of Capital Stock—Rights of Banco preferred shares"). Brazilian Corporations Law defines "net income" as income in a given fiscal year after deducting (i) accrued losses; (ii) provisions for income and social contribution taxes; (iii) any amounts allocated to profit-sharing payments to employees and management for that year and (iv) accumulated losses from prior years.

Under Brazilian Corporations Law, the net income available for distribution can be:

- reduced by any amounts allocated to the legal reserve;
- reduced by any amounts allocated to the statutory reserve, if any;
- reduced by any amounts allocated to the contingency reserve, if any;
- reduced by any amounts allocated to the unrealized profit reserve;
- increased by reversed contingency reserve amounts from prior years; and
- increased by amounts allocated to the unrealized profit reserve, upon their realization and if not absorbed by subsequent losses.

The calculations of net income, reserve allocations and amounts available for distribution for any given year are determined on the basis of the financial statements of Banco BTG Pactual, which are prepared in accordance with Brazilian Corporations Law.

Reserve Accounts

According to Brazilian Corporations Law, companies usually have two main reserve accounts: (i) profit reserves; and (ii) capital reserve.

DIVIDENDS AND DIVIDEND POLICY

Profit Reserves

The following profit reserves are deemed profit reserves under Brazilian Corporations Law:

- the legal reserve;
- the unrealized profit reserve;
- the contingency reserve;
- the statutory reserve;
- the retained profit reserve; and
- the tax incentive reserve.

Legal Reserve

Under Brazilian Corporations Law, Banco BTG Pactual is required to maintain a legal reserve to which it must allocate 5.0% of its net income for each fiscal year until the aggregate amount of the reserve equals 20.0% of its shareholders' equity. However, Banco BTG Pactual is not required to make any allocations to its legal reserve in a year in which the legal reserve, together with the capital reserves, exceeds 30.0% of its share capital. The amounts allocated to such reserve may only be used to increase Banco BTG Pactual's capital stock or to offset losses.

Unrealized Profit Reserve

Under Brazilian Corporations Law, the amount by which the mandatory dividend exceeds "realized" net income in a given year may be allocated to an unrealized profit reserve account, and the mandatory dividends may be limited to the "realized" portion of the net income. Under Brazilian Corporations Law, "realized" net income for Banco BTG Pactual is defined as the amount by which net income exceeds the sum of (i) net positive results, if any, from equity accounting, and (ii) profits, gains or income received after the end of the next fiscal year. If realized and not absorbed by losses in subsequent years, profits recorded in the unrealized profit reserve must be added to the next mandatory dividend distributed after realization.

Contingency Reserve

Under Brazilian Corporations Law, a percentage of Banco BTG Pactual's net income may be allocated to a contingency reserve for estimated anticipated losses that are likely to occur in future years. Any proposal from the board of directors of Banco BTG Pactual with respect to the allocation of a percentage of its net income to a contingency reserve must indicate the reason for expecting the loss and justify the allocation of amounts to reserve. Any amounts so allocated must either be used to offset such a loss in the fiscal year in which it occurs, or if the anticipated loss does not occur as projected, the funds must be reversed.

Statutory Reserve

Banco BTG Pactual is permitted to allocate part of its net income to a discretionary reserve account that may be established in accordance with its by-laws. The allocation of net income to statutory reserves may not be made to the detriment of the payment of mandatory dividends. Banco BTG Pactual has not recorded any such statutory losses.

Retained Profit Reserve

Holders of Banco common shares may decide at an annual shareholders' meeting to retain a portion of its net income for investment pursuant to its capital expenditure budget. The allocation of this reserve cannot occur if detrimental to the payment of mandatory dividends.

The balance of the profit reserve, excluding the contingency reserve and the unrealized profit reserve, may not be higher than the total amount recorded as capital stock. If so, the Banco common shareholders may call for a distribution of the excess amount or provide that such an amount be used to increase the company's capital stock.

The profits that are not allocated as determined above must be distributed as dividends.

Tax Incentive Reserve

The shareholders of Banco BTG Pactual may approve at a shareholders' meeting the allocation of part of its net profits resulting from donations or governmental grants for investments to the tax incentive reserve, which may be excluded from the taxable basis of the mandatory dividend. The by-laws of Banco BTG Pactual do not provide for any tax incentives reserves.

Capital Reserve

Pursuant to Brazilian Corporations Law, capital reserve is comprised of the following: (i) goodwill resulting from the issuance of new shares of Banco BTG Pactual for the portion of the issue that either is above par value or, for shares without par value, exceeds the amount allocated as capital stock and (ii) sales of subscription warrants. The amounts allocated to capital reserve are not included in the calculation of the minimum mandatory distribution.

Under Brazilian Corporations Law, the capital reserve may be used, among other things, to (i) offset losses exceeding accumulated profits and profit reserves; (ii) redeem, reimburse or purchase shares of Banco BTG Pactual; and (iii) increase the capital stock of Banco BTG Pactual.

Mandatory Dividends

Brazilian Corporations Law requires that the by-laws of a Brazilian company specify a minimum percentage of the available profits for the annual distribution of dividends, known as the mandatory dividend, which must be paid to shareholders as either dividends or interest on shareholders' equity.

Brazilian Corporations Law allows a company, however, to suspend such dividend distribution if its board of directors reports to the annual shareholders' meeting that the distribution would not be advisable given the company's financial condition. The fiscal council, if one is in place, reviews any suspension of the mandatory dividend. In addition, the board of directors of publicly held corporations must submit a report to the CVM setting out the reasons for the suspension within five days of the shareholders' meeting. Net income not distributed by virtue of a suspension is allocated to a separate reserve and, if not absorbed by subsequent losses, is required to be distributed as dividends as soon as the financial condition of the company permits such payment.

The mandatory dividend may also be paid as interest on shareholders' equity, and may be deducted as an expense for income tax and social contribution tax purposes.

Dividends

Banco BTG Pactual is required under Brazilian Corporations Law and its by-laws to hold an annual shareholders' meeting no later than April 30 of each year, at which time, among other things, holders of Banco common shares approve the allocation of the results of operations and the distribution of dividends. The payment of annual dividends is based on the unconsolidated audited financial statements of Banco BTG Pactual prepared for the preceding fiscal year.

Any holder of record of Banco common shares and Banco preferred shares at the time a dividend is declared is entitled to receive dividends. Under Brazilian Corporations Law, dividends are generally required to be paid within 60 days following the date on which they are declared, unless the shareholders determine a different payment date, which must fall within the year in which the dividends are declared. Unclaimed dividends do not accrue interest, are not adjusted for inflation and revert in favor of Banco BTG Pactual by operation of law if not claimed within three years from the date in which they are made available to shareholders.

Under the by-laws of Banco BTG Pactual, the board of directors may declare interim dividends or interest on to shareholders' equity based on realized profits indicated in its semi-annual financial statements. The board of directors may also declare dividends based on financial statements comprising shorter periods, provided that the total amount of dividends paid every six months does not exceed the company's capital reserves. Interim dividends may also be paid from profit reserve accounts based on the latest annual or semi-annual financial statements. Any payment of interim dividends or interest on shareholders' equity may be offset against the minimum mandatory distribution that must be made with respect to the net profits earned in the year in which the interim dividends were paid.

Interest on Shareholders' Equity

Brazilian companies are authorized to pay interest on shareholders' equity to holders or beneficiaries of shares and to treat those payments as a deductible expense for income tax and social contribution tax purposes to the extent permitted by applicable law.

The amount of the tax deduction in each year is limited to the greater of (i) 50.0% of the net income of Banco BTG Pactual (after the deduction of any allowances for social contribution tax but before taking into account allowances for income tax and the interest on shareholders' equity) for the period in respect of which the payment is made and (ii) 50.0% of accumulated profits and profit reserve of Banco BTG Pactual at the beginning of the relevant period. The rate applied in calculating interest on shareholders' equity cannot exceed the pro rata variation of the BNDES long-term interest rate, or TJLP. Payments of interest on shareholders' equity, net of withholding income tax, may be considered as mandatory dividends. Under applicable law, Banco BTG Pactual is required to pay its shareholders an amount sufficient to ensure that the net amount they receive in interest on shareholders' equity, after payment of any applicable withholding tax, plus the amount of distributed dividends, is at least equivalent to the minimum mandatory dividend amount.

Any payments of interests on shareholders' equity to the shareholders, whether Brazilian residents or not, is subject to a withholding income tax of 15.0%, provided that such rate shall be 25% if the beneficiary of the interests is a resident of a tax haven (i.e., a country where there is no income tax, or where the maximum fixed rate is lower than 20.0%, or where local law imposes restrictions on the disclosure of the shareholders or owner of the investment).

The amount paid as interest on shareholders' equity after deducting the income tax shall be set off against the mandatory dividends. According to applicable law, Banco BTG Pactual is required to pay to its shareholders an amount sufficient to ensure that the net amount they receive in interest on shareholders' equity, after payment of any applicable withholding tax, plus the amount of distributed dividends, is at least equivalent to the minimum mandatory dividends amount. Any interest on the shareholders' equity is returned to Banco BTG Pactual if not claimed within three years after the date on which it was made available to the shareholders.

For a description of our dividend distributions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Dividends and other distributions."

BTG Pactual Participations

Holders of BPP Class A shares and BPP Class B shares will share equally and ratably in any dividends as the Board of Directors of BTG Pactual Participations may from time to time declare. The holder of the BPP Class C share and holders of the BPP Class D shares will not be entitled to receive any dividends.

DIVIDENDS AND DIVIDEND POLICY

BTG Pactual Participations is a holding company and has no direct operations. As a result, it will depend on distributions from BTGI, through BTG Bermuda Holdco, to pay any dividends. Additionally, BTG Pactual Participations and BTG Bermuda Holdco are subject to Bermuda legal constraints that may affect its ability to pay dividends and make other payments. Under the Bermuda LP Act, BTGI may not pay any share of its profits or other compensation by way of income to a limited partner from its assets if, on the date the payment is to be effected, the general partner has reasonable grounds believing that BTGI, after the payment, would be unable to pay its liabilities as they become due. Under Bermuda law, BTG Pactual Participations may declare or pay a dividend out of distributable reserves only if it has reasonable grounds for believing that it is, or would after the payment be, able to pay its liabilities as they become due and if the realizable value of its assets would thereby not be less than the aggregate of its liabilities. The bye-laws of BTG Pactual Participations require it to, as permitted by Bermuda law, dividend all distributions that it receives, through BTG Bermuda Holdco, from BTGI to its shareholders.

TAXATION

The following summary contains a description of certain Brazilian tax and U.S. federal income tax consequences of the acquisition, ownership and disposition of the Units and the exchange of the Brazilian Units for European Units. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Units. The summary also contains a brief description of certain Bermuda tax considerations and Dutch tax considerations. The summary is based upon (i) the tax laws of Brazil and regulations thereunder; (ii) the tax laws of the United States and regulations thereunder; and (iii) the tax laws of the Netherlands and regulations thereunder as in effect on the date hereof, which are subject to change. Prospective purchasers of the Units should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Units based on their particular circumstances.

Although there is at present no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect the U.S. Holders (as defined below) of the Units.

Brazilian Tax Considerations

The following discussion summarizes the main Brazilian tax consequences of (i) the acquisition, ownership and disposition of the Brazilian Units by a holder that is not domiciled in Brazil and that has registered the investment as a foreign investment with the Central Bank (a "Non-Resident Holder"), (ii) the exchange of Brazilian Units for European Units and (iii) the acquisition, ownership and disposition of the European Units by a Brazilian resident holder ("Brazilian Holder"). It is based on Brazilian law as currently in effect. Any change in that law may change the consequences described below.

The following discussion summarizes the main tax consequences applicable under Brazilian law to a Non-Resident Holder and to Brazilian Holders of European Units in general and, therefore, does not specifically address all of the Brazilian tax considerations applicable to any particular holder. Each holder should consult its own tax adviser concerning the Brazilian tax consequences of an investment in the Brazilian Units. The tax consequences described below do not take into account tax treaties entered into by Brazil and other countries. Nevertheless, please note that Brazil has not entered into any tax treaty with the United States. This summary does not address any tax issues that affect solely the company, such as deductibility of expenses.

Income tax

Non-Resident Holders of Brazilian Units

Dividends

Dividends paid by a Brazilian corporation, including stock dividends and other dividends, are currently exempt from the withholding income tax in Brazil, as far as such amounts are related to profits generated after January 1, 1996. The dividends that are distributed under the Banco common shares and Banco Series A preferred shares are subject to the exemption mentioned above. Although there is no express legal provision with respect to the tax treatment of dividends distributed by BTG Pactual Participations under the BDRs, our BDR depositary withholds (i) 15% income tax on any dividend distributions under the BDRs if the non Brazilian resident holding Brazilian Units or BDRs is located outside a tax haven jurisdiction or (ii) up to 25% income tax if the non Brazilian resident holding Brazilian Units or BDRs is located within a tax haven jurisdiction. **Taxpayers are advised to consult their own tax advisors to determine whether they may be able to claim a refund from Brazilian tax authorities.**

TAXATION

Interest on Net Equity

Law No. 9,249, enacted on December 26, 1995, as amended, allows a Brazilian corporation to make distributions to shareholders of interest on net equity and treat those payments as a deductible expense for purposes of calculating Brazilian corporate income tax and social contribution on net profits, as far as the limits described in the applicable laws are observed. These distributions may be paid in cash. For tax purposes this interest is limited to the daily *pro rata* variation of the TJLP, as determined by the Central Bank of Brazil from time to time.

These payments may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

Payment of interest to a Non-Resident Holder is subject to withholding income tax at the rate of 15.0%, or 25.0% if the Non-Resident Holder is considered a Tax-Haven Resident.

Distributions of interest on shareholder's equity to Non-Resident Holders may be converted into U.S. dollars and remitted outside Brazil, subject to applicable exchange controls, to the extent that the investment is registered with the Central Bank of Brazil.

Capital Gains

According to Law No. 10,833/03, the gains recognized on a disposition of assets located in Brazil, such as our Brazilian Units, by a Non-Resident Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposition is conducted in Brazil or abroad and/or if the disposition is made or not to an individual or entity resident or domiciled in Brazil.

As a general rule, gains realized as a result of a transaction carried out on a Brazilian stock exchange are the positive difference between the amount in *reais* realized on the sale or exchange of a security and its acquisition cost measured in *reais* (without correction for inflation).

Under Brazilian law, income tax on such gains can vary depending on the domicile of the Non-Resident Holder, the type of registration of the investment by the Non-Resident Holder with the Central Bank of Brazil and how the disposition is carried out, as described below.

Capital gains realized by a Non-Resident Holder on the disposition of the Brazilian Units sold on the Brazilian stock exchange:

- are tax exempt, when realized by a Non-Resident Holder that (i) has registered its investment in Brazil with the Central Bank under the rules of Resolution No. 2,689 and related Brazilian Monetary Counsel regulations ("Registered Holder") and (ii) is not a Tax Haven Resident;
- are subject to income tax at a rate of 15.0% with respect to gains realized by a Registered Holder considered a Tax Haven Resident. In this case, a withholding income tax of 0.005% of the sale value will be applicable and can be later offset with the income tax due on the capital gain, as the case may be; and
- are subject to income tax at a rate of 25% with respect to gains realized by Non-Resident Holders, not qualified as Registered Holders, considered as Tax Haven Residents. In this case, a withholding income tax of 0.005% of the sale value will be applicable and can be later offset with the income tax due on the capital gain, as the case may be.

Any other gains realized on the disposition of Brazilian Units that are not carried out on the Brazilian stock exchange:

- are subject to income tax at a rate of 15.0% when realized by any Non-Resident Holder that is not a Tax Haven Resident, no matter if a Registered Holder or not; and
- are subject to income tax at a rate of 25.0% when realized by a Tax Haven Resident, no matter if a Registered Holder or not.

In the cases above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% will also apply and can be used to offset the income tax due on the capital gain. The Non-Resident Holder will not need to file a Brazilian tax return with the Brazilian tax authorities, as the case may be.

In the case of a redemption of securities or a capital reduction by a Brazilian corporation, the positive difference between the amount received by the Non-Resident Holder and the acquisition cost of the securities redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15.0%, or 25.0%, as the case may be.

There can be no assurance that the current favorable tax treatment of Registered Holders will continue in the future.

Brazilian Holders of European Units

Dividends

Brazilian Holders - Individuals

Earnings derived by Brazilian Holders who are individuals from sources located outside Brazil (such as dividends distributed under European Units), transferred or not to Brazil, are subject to the imposition of the individual income tax ("IIT") and shall be duly informed to tax authorities by means of the individual’s annual income tax return.

Though there is no clear guidance on the tax treatment applicable to earnings received under the European Units, it is our opinion that Brazilian Holders count on good grounds to sustain that IIT should apply at a 15% rate as the European Units qualify as a financial investment abroad. However, tax authorities may adopt a different approach on the matter and charge the collection of IIT at progressive rates varying from 7.5% to 27.5% under the argument that earnings received by Brazilian Holders qualify as dividends from foreign sources. Brazilian Holders are advised to consult their own tax advisors on the matter.

If earnings received by Brazilian Holders are taxed abroad, a tax credit is generally provided for taxes paid in a foreign jurisdiction on conditions that (i) income tax paid abroad is not refundable to the individual; (ii) the same offsetting right is granted by the jurisdiction where the paying source is located in respect to the earnings received by its residents from Brazilian sources (reciprocity treatment); and (iii) the tax credit does not exceed the difference between the individual income tax charged before and after the inclusion of the earnings obtained abroad in the taxable basis of such tax.

Brazilian Holders – Legal entities

Earnings derived by Brazilian Holders who are legal entities under the European Units will be subject to corporate income taxation (namely Corporate Income tax – Imposto sobre a Renda da Pessoa Jurídica - "IRPJ" – and Social Contribution on Net Profits – Contribuição Social sobre o Lucro Líquido – "CSLL") at a general aggregate 34% rate. Specific tax treatment may apply to certain taxpayers depending on their tax status. Brazilian Holders are advised to consult their own tax advisors on the matter.

A tax credit up to the amount of taxes due in Brazil is also granted in connection with taxes paid abroad.

TAXATION

Capital Gains

Capital gains derived by Brazilian Holders upon disposition of European Units will be subject to income taxation at a 15% rate if the Brazilian Holder is an individual and at an aggregate rate of 34% if the Brazilian Holder is a legal entity.

As a general rule, earnings derived upon disposition of the European Units will not be subject to the imposition of PIS and COFINS Contributions at the level of Brazilian Holders who are legal entities submitted to the non-cumulative regime for assessment of such contributions. Differently, PIS and COFINS will apply at a 3.65% rate if the Brazilian Holders who are legal entities are submitted to the cumulative regime for assessment of such contributions.

Exchange of Brazilian Units for European Units

Upon exchange of Brazilian Units for European Units, Brazilian Holders and Non-Resident Holders will require Bradesco, as Brazilian Unit depositary and BDR depositary, to cancel their Brazilian Units and BDRs and deposit Banco common shares and Banco Series A preferred shares with Bradesco, acting as GDS custodian for BNY Mellon and BPP Class A shares and BPP Class B shares with BNY Mellon, acting as European Unit custodian in order to receive European Units.

The deposit of Banco common shares and Banco Series A preferred shares in exchange for the GDS comprising the European Unit may give rise to the recognition of taxable capital gains subject to Brazilian income tax if the amount previously registered with the Central Bank as a foreign investment in such shares or, in the case of Registered Holders, the acquisition cost of the shares, as the case may be, is lower than the average price per preferred share or common share on the Brazilian stock exchange on which the greatest number of such preferred shares or common shares were sold on the day of deposit; or if no preferred shares or common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares or common shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the preferred shares or common shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15.0% or 25.0% when realized by a Tax Haven Resident. Although there is no clear regulatory guidance, such taxation should not apply in case of Registered Holders, other than Tax Haven Residents.

As to Brazilian Holders, it is our opinion that the exchange of Brazilian Units for European Units will not result in the recognition of taxable capital gains. However, a different approach may be adopted by tax authorities in a scenario where market value of European Units exceed the cost of acquisition of Brazilian Units. Brazilian Holders are advised to consult their own tax advisors on the matter.

Tax on Foreign Exchange and Financial Transactions

Tax on Foreign Exchange Transactions or IOF/Exchange Tax

Brazilian law imposes a Tax on Foreign Exchange Transactions ("IOF/Exchange"), on the conversion of *reais* into foreign currency and on the conversion of foreign currency into reais. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38% but there are some listed exceptions in which a 0% rate apply.

Currently, the inflow of funds into Brazil in relation to investments registered with the Central Bank of Brazil under the rules of Resolution No. 2,689 and related Brazilian Monetary Counsel regulations are subject to a 0% IOF/Exchange rate in connection with the following transactions: (i) acquisition of variable income investments performed on the Brazilian stock exchange; (ii) acquisition of shares in public offerings registered with the Brazilian Securities Commission or which registration was waived and subscription of shares, provided that the Brazilian entity has a listing registration and (iii) acquisition of BDRs.

TAXATION

As the Brazilian Units to be acquired by Non-Resident Holders are certificates representing Banco common shares, Banco Series A preferred shares and BDRs, in our opinion the inflow of funds for the acquisition of the Brazilian Units would be subject to the IOF/Exchange at a 0% rate.

Non-Resident Holders may exchange their Brazilian Units for European Units and such exchange transaction will require the implementation of simultaneous foreign exchange transactions. Under the current regulations of the Central Bank of Brazil and on the imposition of the IOF/Exchange, these FX transactions are subject to the imposition of IOF/Exchange at a 0% rate.

Brazilian Holders may also exchange their Brazilian Units for European Units and such exchange transaction will not require the implementation of foreign exchange transactions. Therefore, no IOF/Exchange tax impact would arise.

The outflow of funds from Brazil abroad, including for dividend payment, interest on equity and return of capital, is subject to the 0.0% IOF/Exchange rate.

The Ministry of Finance is permitted to increase the rate at any time up to 25.0%. However, any increase in rates may only apply to future transactions.

Tax on Transactions Involving Bonds and Securities, or IOF/Securities

Brazilian law imposes a Tax on Transactions Involving Bonds and Securities ("IOF/Securities"), levied on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange. The rate of IOF/Bonds Tax applicable to transactions involving Units is currently 0.0%, although the Ministry of Finance (Ministério da Fazenda) is permitted to increase such rate at any time up to 1.5% per day. However, any increase in rates may only apply to future transactions.

The IOF/Bonds is currently imposed at a fixed 1.5% rate on the transfer of shares of Brazilian publicly held companies to the custody of financial institutions for the purposes of supporting the issuance of depositary receipts abroad. Considering that the exchange of Brazilian Units for European Units will require that Banco common shares and Banco Series A preferred shares are deposited under the custody of Bradesco, in order to support the issuance of GDSs by BNY Mellon, such transaction will be subject to the IOF/Bonds at a 1.5% rate. Though this is a tax burden to be incurred by each investor, Bradesco, acting as GDS custodian for BNY Mellon, will be responsible for the collection of the tax.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of stocks, except for gift and inheritance taxes imposed by Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states. There is no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of shares.

Certain U.S. Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal income tax considerations associated with the purchase, ownership, and disposition of our Units by U.S. Holders (as defined below) and Non-U.S. Holders (as defined below). This discussion is a summary for general information only and does not consider all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership and disposition of a Unit by a prospective investor in light of its particular circumstances. Except where otherwise noted, this summary applies to beneficial owners of both Brazilian Units and European Units. This summary does not discuss all the tax considerations that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as:

- dealers or traders in securities or currencies;
- financial institutions;

- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons holding a Unit as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- persons liable for alternative minimum tax;
- grantor trusts;
- persons that own or are deemed to own 10.0% or more of the voting shares of either Banco BTG Pactual or BTG Pactual Participations (including BPP Class A shares);
- U.S. Holders whose "functional currency" is not the U.S. dollar; or
- certain former citizens or long-term residents of the United States.

Moreover, the discussion below is based upon the provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and such provisions may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those discussed below. Furthermore, this discussion does not address the U.S. federal estate and gift tax considerations of the acquisition, ownership or disposition of a Unit.

As used herein, the term "U.S. Holder" means a beneficial owner of a Unit that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity subject to tax as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Unit that is neither a U.S. Holder nor a partnership (or other entity or arrangement that is treated as a partnership for U.S. federal income tax purposes).

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a Unit, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding a Unit, we urge you to consult your own tax advisor.

No statutory, administrative or judicial authority directly addresses the treatment of a Unit or instruments similar to a Unit for U.S. federal income tax purposes. As a result, we cannot assure you that the U.S. Internal Revenue Service (the "IRS"), or the courts will agree with the tax consequences described herein. A different treatment from that described below could adversely affect the amount, timing and character of income, gain or loss in respect of an investment in a Unit. If you are considering the purchase of a Unit, we urge you to consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the ownership of a Unit, as well as any consequences to you arising under the laws of any state, local or non-U.S. taxing jurisdiction.

U.S. IRS Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Considerations for U.S. Holders

Units

Your acquisition of a Unit should be treated for U.S. federal income tax purposes as an acquisition, directly or through BDRs and GDSs as applicable, of (i) 1 Banco common share, (ii) 2 Banco Series A preferred shares; and (iii) one BPP Class A share and (iv) two BPP Class B shares. We intend to treat the acquisition of a Unit in this manner, and, by purchasing a Unit, you will agree to adopt such treatment for tax purposes. However, there is no authority that directly addresses the tax treatment of securities with terms substantially similar to the terms of a Unit, i.e., securities structured as a Unit consisting of common stock, preferred stock and subscription receipts in two distinct entities, subject to the GDS and BDR arrangements as described in "Description of Units, BDRs and GDSs" (including the cancellation fee provided for in such arrangements). In light of the absence of direct authority, neither we nor our counsel can conclude with certainty that your acquisition of a Unit will be treated for U.S. federal income tax purposes in the manner described above. If such treatment were not respected, then a Unit could be treated otherwise, including, for example, as an investment in a single issuer for U.S. federal income tax purposes, in which case a U.S. Holder could be subject to unexpected materially adverse U.S. tax consequences. You should consult your tax advisor regarding the potential materially adverse tax consequences (and potential reporting requirements) that may arise in the event that our intended treatment is not respected. The remainder of this discussion assumes that our intended treatment of a Unit (as described above) will be respected.

Allocation of Purchase Price

The purchase price of each Unit will be allocated between the various shares and subscription receipts in proportion to their respective fair market values at the time of purchase. Such allocation will establish your initial tax basis in such shares, and by purchasing a Unit, you will agree to such method of allocation and that you will not take a contrary position for any purpose, including tax purposes.

To the extent that a Brazilian IOF/Exchange tax is imposed upon the acquisition of a Unit, such tax likely will not be treated as a creditable foreign tax for U.S. federal income tax purposes. See "—Brazilian Tax Considerations" for a description of when an acquisition of a Unit may be subject to taxation by Brazil. U.S. Holders should consult their tax advisors as to whether their basis in the various components of a Unit would include the amount of such Brazilian IOF/Exchange tax for U.S. federal income tax purposes.

Sale or Exchange of a Unit

We anticipate that the various components of a Unit will be sold or otherwise exchanged together as a Unit. In such instance, assuming that a QEF election is properly made with respect to BTG Pactual Participations, as described below under "—BDRs and BPP Class A shares and BPP Class B shares—Status as a PFIC and Related Tax Consequences," a U.S. Holder must generally calculate its aggregate gain or loss from a sale or other taxable exchange of a Unit by comparing its adjusted tax basis in each of the components of the Unit sold to the amount of proceeds attributable to such components. Further details regarding the calculation of gain or loss on the separate components of a Unit is provided below under "—GDSs and Banco Common Shares and Banco Series A Preferred Shares—Sale or Exchange of Banco Common Shares and Banco Series A Preferred Shares" and "—BDRs and BPP Class A shares and BPP Class B shares—Sale or Exchange of BPP Class A shares and BPP Class B shares." To the extent that a Brazilian Unit is exchanged for a European Unit or a European Unit is exchanged for a Brazilian Unit, as described above under "Description of Units, BDRs and GDSs—The Brazilian Units—Exchange of Brazilian Units for European Units" and "Description of Units, BDRs and GDSs—The European Units—Exchange of European Units for Brazilian Units," no taxable exchange should result. To the extent that a Brazilian IOF/Bonds tax is imposed upon such an exchange, such tax likely will not be treated as a creditable foreign tax for U.S. federal income tax purposes. See "—Brazilian Tax Considerations" for a description of when an exchange may be subject to taxation by Brazil. You should consult your tax advisor regarding the treatment of the cancellation fee payable in connection with the cancellation of Brazilian Units and BDRs or European Units and GDSs for purposes other than an exchange for European Units or Brazilian Units, respectively, as described above under "Description of Units, BDRs and GDSs—The Brazilian Units—Cancellation of Brazilian Units and Applicable Fees" and "Description of Units, BDRs and GDSs—The European Units—Cancellation of European Units Other than for Exchange."

GDSs and Banco Common Shares and Banco Series A Preferred Shares

For U.S. federal income tax purposes, if you are a holder of GDSs, you should generally be treated as the owner of the Banco common shares or the Banco Series A preferred shares represented by such GDSs. The rest of this discussion assumes that a holder of GDSs will be treated for U.S. federal income tax purposes as directly holding the underlying Banco common shares or the Banco Series A preferred shares.

Initial Tax Basis of the Banco Common Shares and Banco Series A Preferred Shares

As described above under "—Units—Allocation of Purchase Price," your initial tax basis in each Banco common share is expected to be the U.S. dollar value of the fair market value of the portion of your purchase price allocated to such Banco common share on the date that your investment is made, calculated by reference to the exchange rate in effect on such date, and your initial tax basis in each Banco Series A preferred share is expected to be the U.S. dollar value of the fair market value of the portion of your purchase price allocated to such Banco common share on the date that your investment is made, calculated by reference to the exchange rate in effect on such date.

Taxable Distributions

Subject to the discussion below under "—Passive Foreign Investment Company Considerations," the gross amount of any distributions made by Banco BTG Pactual to a U.S. Holder on the Banco common shares or the Banco Series A preferred shares (including any Brazilian tax withheld or deducted, if any) will be taxable as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of Banco BTG Pactual as determined under U.S. federal income tax principles and will be includible in your gross income upon receipt. A distribution in excess of Banco BTG Pactual’s current and accumulated earnings and profits will be treated as a non-taxable return of capital, thereby reducing a U.S. Holder’s adjusted basis (but not below zero) in the share on which the distribution is paid and, thereafter, as a capital gain to the extent it exceeds a U.S. Holder’s basis in such share. Banco BTG Pactual, however, does not intend to maintain calculations of its earnings and profits for U.S. federal income tax purposes. Therefore, U.S. Holders should expect that distributions by Banco BTG Pactual will generally be treated as dividends for U.S. federal income tax purposes.

The amount of a distribution will equal the U.S. dollar value of the *reais* distributed, calculated by reference to the exchange rate in effect on the date that a distribution is received, whether or not a U.S. Holder in fact converts any *reais* received into U.S. dollars at that time. If the *reais* are converted into U.S. dollars on the date of receipt, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the *reais* are converted into U.S. dollars after the date of receipt. Any gains or losses resulting from the conversion of *reais* into U.S. dollars will generally be treated as ordinary income or loss, as the case may be, and generally will be treated as U.S. source. In the case of a European Unit, a U.S. Holder should generally be deemed to convert *reais* into euros on the date a distribution is received; such deemed conversion should generally not cause a U.S. Holder to recognize foreign currency gain or loss. If the euros are converted into U.S. dollars on the date of receipt, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the euros are converted into U.S. dollars after the date of receipt. Any gains or losses resulting from the conversion of euros into U.S. dollars will generally be treated as ordinary income or loss, as the case may be, and generally will be treated as U.S. source.

Under current law, dividends will not be eligible for the dividends-received-deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations and will not be eligible for the 20.0% preferential dividend rate currently applicable to certain "qualified dividend income" received by individuals. Dividends on the Banco common shares and the Banco Series A preferred shares received by a U.S. Holder will generally be treated as foreign source income for U.S. foreign tax credit purposes.

Sale or Exchange of Banco Common Shares and Banco Series A Preferred Shares

Subject to the discussion below under "—Passive Foreign Investment Company Considerations," a U.S. Holder will generally recognize gain or loss on the components of a Unit consisting of Banco common shares and Banco Series A preferred shares upon the sale of a Unit. As discussed above under "—Units—Allocation of Purchase Price," we believe that the various components of a Unit are each separate instruments for U.S. federal income tax purposes, each having its own tax basis. Accordingly, upon a sale or exchange of a Unit, gain or loss should be measured separately with respect to the Banco common shares and Banco Series A preferred shares. In each case, a U.S. Holder will recognize gain or loss equal to the difference between (i) the amount realized on such sale or exchange (or its U.S. dollar equivalent, determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency) which is allocated to the Banco common shares and the Banco Series A preferred shares, as the case may be (which allocation should be based on the relative fair market values of the Banco common shares, Banco Series A preferred shares, BPP Class A shares and BPP Class B shares on the date of the sale or exchange) and (ii) the U.S. Holder's adjusted tax basis in the Banco common shares or the Banco Series A preferred shares, as the case may be.

Subject to the discussion below under "—Passive Foreign Investment Company Considerations," any gain or loss recognized by a U.S. Holder will be treated as capital gain or loss. Such gain or loss will be long-term capital gain or loss to the extent that a U.S. Holder's holding period exceeds one year. Long-term capital gain of a non-corporate U.S. Holder is generally subject to preferential rates. Gain or loss, if any, recognized by a U.S. Holder will generally be treated as U.S. source gain or loss, as the case may be, and will generally be treated as "passive category income" for most U.S. Holders for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations under the Code. If, however, a capital gain is realized on the sale of one of the constituents of a Unit and a capital loss is realized on another, a U.S. Holder should generally be able to offset such capital gain realized with, and to the extent of, such capital loss realized.

Foreign Tax Credits

Subject to certain generally applicable limitations that may vary depending upon your circumstances, a U.S. Holder will be entitled to a credit against its U.S. federal income tax liability for Brazilian income taxes withheld from dividends on Banco common shares or Banco Series A preferred shares. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such otherwise creditable Brazilian income taxes in computing taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign income taxes instead of claiming foreign tax credits applies to all income taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

A U.S. Holder must satisfy minimum holding period requirements in order to be eligible to claim a foreign tax credit for foreign taxes withheld on dividends. The rules governing foreign tax credits are complex and, therefore, U.S. Holders are urged to consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits. If a Brazilian tax is withheld on the sale or other disposition of a Unit, a U.S. Holder's amount realized will include the gross amount of proceeds of the sale or disposition before the deduction of the Brazilian tax. See "—Brazilian Tax Considerations" for a description of when a disposition may be subject to taxation by Brazil. U.S. Holders should consult their tax advisors as to whether these Brazilian taxes may be creditable against the holder's U.S. federal income tax on foreign-source income from other sources or are otherwise deductible, particularly in light of the fact that income recognized on a sale or other disposition of a Unit will generally constitute U.S.-source income.

Passive Foreign Investment Company Considerations

In general, the PFIC rules are designed to eliminate the benefit of deferral of U.S. federal income tax that a U.S. Holder could derive from investing in certain corporations that are organized outside the United States that derive substantial passive income and/or hold substantial passive assets and that do not distribute all their earnings on a current basis. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income is "passive income" (the "Income Test") or (ii) at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of "passive income" (the "Asset Test").

The determination of whether Banco BTG Pactual is classified as a PFIC is a factual determination that is made annually based on the categories and amounts of income that Banco BTG Pactual earns and the categories and valuation of its assets, all of which are subject to change. Passive income for these purposes generally includes dividends, interest, rents, royalties and gains from commodities and securities transactions. In the case of a company engaged in an active banking business, special rules apply for determining the character of income and assets. The IRS has issued a notice (the "Notice") that would classify a non-U.S. bank as an "active bank" if, among other things, deposits from unrelated persons represent at least 50% of the non-U.S. bank's liabilities, at least 1,000 unrelated depositors are citizens or residents of the country in which the non-U.S. bank is licensed to accept deposits, loans to unrelated persons represent at least 50% of the outstanding principal of all loans, and at least 60% of the non-U.S. bank's gross income is derived from bona fide banking activities. Subsequent to the issuance of the Notice, the U.S. Department of Treasury issued proposed regulations (the "Proposed Regulations"), not yet in effect, which would markedly modify the Notice and which, if finalized, would apply retroactively from taxable years beginning after December 31, 1994. In order to be an active bank under the Proposed Regulations, a foreign corporation must meet certain licensing, deposit-taking, and lending and gross income requirements.

We believe that Banco BTG Pactual would meet the standards necessary to be treated as an active bank under the Proposed Regulations, but may not meet the standards necessary to be treated as an active bank under the Notice.

Assuming Banco BTG Pactual meets the active bank standards described above, under the Proposed Regulations, we do not believe that it should be classified as a PFIC for the taxable year ending December 31, 2013 and any subsequent taxable year, based upon its current and projected income, assets and activities. If the Notice were to apply, however, Banco BTG Pactual might be treated as a PFIC for the taxable year ending

December 31, 2013. We intend to take the position that Banco BTG Pactual is not a PFIC for U.S. federal income tax purposes under the Proposed Regulations. We believe that the Proposed Regulations are meant to supersede the Notice, and, therefore, that we may rely only on the Proposed Regulations to determine whether Banco BTG Pactual is properly classified as a PFIC.

Because a PFIC determination is a factual determination that must be made following the close of each taxable year and is based on, among other things, the market value of Banco BTG Pactual's assets and shares, and because the Proposed Regulations (although proposed to be retroactive in application) are not currently in force, there can be no assurance that Banco BTG Pactual will not be considered a PFIC for the current taxable year or any subsequent taxable year. Further, although the Proposed Regulations would generally apply retroactively, there can be no assurance that the Proposed Regulations will be finalized in their current form.

If Banco BTG Pactual were a PFIC, a U.S. Holder of Banco common shares or Banco Series A preferred shares generally would be subject to special rules, as described below under "—BDRs and BPP Class A shares and BPP Class B shares—Status as a PFIC and Related Tax Consequences."

U.S. Holders should consult their tax advisors regarding the tax consequences that would arise if Banco BTG Pactual were treated as a PFIC under the Notice or the Proposed Regulations.

BDRs and BPP Class A shares and BPP Class B shares

For U.S. federal income tax purposes, if you are a holder of BDRs, you should generally be treated as the owner of the BPP Class A shares or BPP Class B shares represented by such BDRs. The rest of this discussion assumes that a holder of BDRs will be treated for U.S. federal income tax purposes as directly holding the underlying BPP Class A shares or BPP Class B shares.

Initial Tax Basis of the BPP Class A shares and BPP Class B shares

As described above under "Units—Allocation of Purchase Price," your initial tax basis in each BDR representing a BPP Class A share, and therefore in each BPP Class A share, is expected to be the U.S. dollar value of the fair market value of the portion of your purchase price allocated to such BPP Class A share on the date that your investment is made, calculated by reference to the exchange rate in effect on such date. Your initial tax basis in each BDR representing a BPP Class B share, and therefore in each BPP Class B share, is expected to be the U.S. dollar value of the fair market value of the portion of your purchase price allocated to such BPP Class B share on the date that your investment is made, calculated by reference to the exchange rate in effect on such date.

Taxable Distributions

Subject to the discussion below under "—Status as a PFIC and Related Tax Consequences," the gross amount of any distributions made by BTG Pactual Participations to a U.S. Holder in respect of the BPP Class A shares or BPP Class B shares will be taxable as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of BTG Pactual Participations as determined under U.S. federal income tax principles and will be includible in your gross income upon receipt. A distribution in excess of BTG Pactual Participations' current and accumulated earnings and profits will be treated as a non-taxable return of capital, thereby reducing a U.S. Holder's adjusted basis (but not below zero) in the share on which the distribution is paid and, thereafter, as a capital gain to the extent it exceeds a U.S. Holder's basis in such share.

In the case of a distribution received in *reais*, the amount of a distribution will equal the U.S. dollar value of the *reais* received, calculated by reference to the exchange rate in effect on the date that the distribution is received, whether or not a U.S. Holder in fact converts any *reais* received into U.S. dollars at that time. If the *reais* are converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the *reais* are converted into U.S. dollars after the date of receipt. Any gains or losses resulting from the conversion of *reais* into U.S. dollars generally will be treated as ordinary income or loss, as the case may be, and generally will be treated as U.S. source. In the case of a distribution received in euros, the amount of a distribution will equal the U.S. dollar value of the euros received, calculated by reference to the exchange rate in effect on the date that the distribution is received, whether or not a U.S. Holder in fact converts any euros received into U.S. dollars at that time. If the euros are converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the euros are converted into U.S. dollars after the date of receipt. Any gains or losses resulting from the conversion of euros into U.S. dollars generally will be treated as ordinary income or loss, as the case may be, and generally will be treated as U.S. source.

Under current law, dividends will not be eligible for the dividends-received-deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations and will not be eligible for the 20.0% preferential dividend rate currently applicable to certain "qualified dividend income" received by individuals. Dividends on the BPP Class A shares or BPP Class B shares received by a U.S. Holder will generally be treated as foreign source income for U.S. foreign tax credit purposes.

Sale or Exchange of BPP Class A shares and BPP Class B shares

Subject to the discussion below under "—Status as a PFIC and Related Tax Consequences," a U.S. Holder will generally recognize gain or loss on the components of a Unit consisting of a BPP Class A share and BPP Class B shares upon the sale of a Unit. As discussed above under "—Units—Allocation of Purchase Price," we believe that the various components of a Unit are each separate instruments for U.S. federal income tax purposes, each having its own tax basis. Accordingly, upon a sale or exchange of a Unit, gain or loss should be measured separately with respect to the BPP Class A shares and BPP Class B shares. A U.S. Holder will recognize gain or loss equal to the difference between (i) the amount realized on such sale or exchange (or its U.S. dollar equivalent, determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency) which is allocated to the BPP Class A shares or BPP Class B shares, as the case may be (which allocation should be based on the relative fair market values of the Banco common shares, Banco Series A preferred shares, BPP Class A shares and BPP Class B shares on the date of the sale or exchange), and (ii) the U.S. Holder’s adjusted tax basis in such BPP Class A shares or BPP Class B shares.

Subject to the discussion below under "—Status as a PFIC and Related Tax Consequences," any gain or loss recognized by a U.S. Holder will be treated as capital gain or loss. Such gain or loss will be long-term capital gain or loss to the extent that a U.S. Holder’s holding period exceeds one year. Long-term capital gain of a non-corporate U.S. holder is generally subject to preferential rates. Gain or loss, if any, recognized by a U.S. Holder will generally be treated as U.S. source gain or loss, as the case may be, for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations under the Code. If, however, a capital gain is realized on the sale of one of the constituents of a Unit and a capital loss is realized on another, a U.S. Holder generally should be able to offset such capital gain realized with, and to the extent of, such capital loss realized.

Foreign Tax Credits

To the extent that a Brazilian IOF/Exchange tax is levied on the conversion of foreign (non-Brazilian) currency into Brazilian *reais* in connection with the payment of distributions on BPP Class A shares and BPP Class B shares (as discussed above under "—Brazilian Tax Considerations"), such tax likely will not be treated as a creditable foreign tax for U.S. federal income tax purposes. U.S. Holders should consult their tax advisors as to whether this tax would be deductible for U.S. federal income tax purposes.

A U.S. Holder's ability to claim a credit against its U.S. federal income tax liability for Brazilian income taxes withheld from dividends on BDRs (as discussed above under "—Brazilian Tax Considerations") is subject to certain generally applicable limitations that may vary depending upon your circumstances. In particular, it is unclear whether Brazilian taxes withheld by our BDR depositary will be viewed as "compulsory payments," a requirement that must be satisfied in order for a U.S. Holder to claim a credit. Instead of claiming a credit, a U.S. Holder may, at its election, deduct otherwise creditable Brazilian income taxes, if any, in computing taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign income taxes instead of claiming foreign tax credits applies to all income taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

A U.S. Holder must satisfy minimum holding period requirements in order to be eligible to claim a foreign tax credit for foreign taxes withheld on dividends. The rules governing foreign tax credits are complex and, therefore, **U.S. Holders are urged to consult their own tax advisors to determine whether they may be able to claim a foreign tax credit or whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits**.

If a Brazilian tax is withheld on the sale or other disposition of a Unit, a U.S. Holder's amount realized will include the gross amount of proceeds of the sale or disposition before the deduction of the Brazilian tax. See "—Brazilian Tax Considerations" for a description of when a disposition may be subject to taxation by Brazil. U.S. Holders should consult their tax advisors as to whether these Brazilian taxes may be creditable against the holder's U.S. federal income tax on foreign-source income from other sources or are otherwise deductible.

Status as a PFIC and Related Tax Consequences

See "—GDSs and Banco Common Shares and Banco Series A Preferred Shares—Passive Foreign Investment Company Considerations" above for a description of the Income Test and the Asset Test. We expect BTG Pactual Participations will be classified as a PFIC for U.S. federal income tax purposes due to the nature of its underlying assets and the nature of the earnings generated by such assets, as determined for purposes of the Income Test and the Asset Test. Accordingly, you will be subject to different taxation rules with respect to your investment in BPP Class A shares and BPP Class B shares.

If you do not make timely QEF elections, as discussed below, with respect to your investment in BPP Class A shares and BPP Class B shares for the first year that you own such shares, you would be subject to special rules with respect to (i) any excess distribution (i.e., the portion of any distributions you receive on your BPP Class A shares or BPP Class B shares in a taxable year in excess of 125.0% of the average annual distributions you received in the three preceding taxable years, or, if shorter, your holding period for the BPP Class A shares or BPP Class B shares), and (ii) any gain realized on the sale, exchange or other disposition of BPP Class A shares or BPP Class B shares. Under these special rules:

- the excess distributions or gain would be allocated ratably over the aggregate holding period for the BPP Class A shares or BPP Class B shares;
- the amount allocated to the current year would be taxed as ordinary income and would not be "qualified dividend income"; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest tax rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If you make timely QEF elections with respect to your BPP Class A shares and BPP Class B shares, you must report for U.S. federal income tax purposes your pro rata share of BTG Pactual Participations' ordinary earnings and net capital gain, if any, for each taxable year for which it is a PFIC that ends with or within your taxable year, regardless of whether or not you received any distributions on the BPP Class A shares or BPP

Class B shares that you own. No portion of any such inclusions of ordinary earnings would be eligible to be treated as "qualified dividend income." If you are a non-corporate U.S. Holder, any such net capital gain inclusions would be eligible for taxation at the preferential capital gains tax rates. If you are a regulated investment company, such ordinary earnings and net capital gain inclusions will be treated as qualifying income described in Section 851(b)(2)(A) of the Code. Your adjusted tax basis in your BPP Class A shares or BPP Class B shares would be increased to reflect any taxed but undistributed earnings and profits. Any distribution of earnings and profits that had been previously taxed would not be taxed again when you received such distribution, but it would result in a corresponding reduction in the adjusted tax basis in your BPP Class A shares or BPP Class B shares. You would not, however, be entitled to a deduction for your pro rata share of any losses BTG Pactual Participations incurs with respect to any year. You generally would recognize capital gain or loss on the sale, exchange or other disposition of BPP Class A shares or BPP Class B shares. You may make timely QEF elections with respect to your investment in BPP Class A shares and BPP Class B shares by filing one copy of IRS Form 8621 with your U.S. federal income tax return for the first year in which you hold a Unit. We will provide you with all necessary information in order for you to make QEF elections as described above.

As discussed above under "Dividends and Dividend Policy," we will have the discretion to make distributions with respect to either or both of (i) your Banco common shares and Banco Series A preferred shares and (ii) your BPP Class A shares and BPP Class B shares. To the extent that you make a timely QEF election, distributions on your BPP Class A shares and BPP Class B shares out of earnings that previously have been taxed will not give rise to an incremental U.S. federal income tax liability, whereas distributions on your Banco common shares and Banco Series A preferred shares will be taxable as dividend income to the extent such distributions are paid out of the current or accumulated earnings and profits of Banco BTG Pactual as determined under U.S. federal income tax principles, as discussed above under "—GDSs and Banco Common Shares and Banco Series A Preferred Shares—Taxable Distributions."

Another election generally available with respect to publicly traded PFICs, the "mark-to-market" election, is not likely to be available with respect to BPP Class A shares and BPP Class B shares. A mark-to-market election is available to you only if the BPP Class A shares and BPP Class B shares are considered "marketable stock" for these purposes. Generally, shares of a PFIC will be considered marketable stock if they are "regularly traded" on a "qualified exchange" within the meaning of applicable Treasury regulations. A class of shares is regularly traded during any calendar year during which such class of shares is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. Even if the São Paulo Stock Exchange and/or Euronext Amsterdam qualify as "qualified exchanges," and even if the Units are "regularly traded," the prices listed on such exchanges will reflect the price of a Unit as a whole and not of a BDR or underlying BPP Class A share or BPP Class B share. Therefore, we believe that the mark-to-market election is not likely to be available. U.S. Holders should consult their tax advisors regarding the availability of the mark-to-market election.

YOU SHOULD CONSULT YOUR TAX ADVISOR ABOUT THE APPLICATION OF THE PFIC RULES AND THE IMPACT OF A TIMELY QEF ELECTION TO YOUR PARTICULAR SITUATION.

Certain U.S. Tax Reporting Requirements

Certain U.S. individuals (and to the extent provided in Treasury regulations, certain domestic entities) that hold an interest in a "specified foreign financial asset," including any interest in a foreign entity, such as Banco BTG Pactual and BTG Pactual Participations, are required to attach a disclosure statement to their income tax return for any year in which the aggregate value of all such assets exceeds US$50,000, and imposes certain penalties for noncompliance. The reporting requirement with respect to such assets is effective for taxable years beginning after March 18, 2010. In addition, each U.S. Holder who holds shares in a PFIC must file an annual report containing such information as the Secretary of the Treasury Department may require. Such legislation does not describe what information will be required to be included in such annual report, but rather grants the Treasury Department authority to decide what information must be included in such annual report. It is difficult to determine at this time what further impact any regulations or other guidance may have. U.S. Holders should consult their independent tax advisors regarding the consequences of these reporting requirements in connection with the acquisition of a Unit.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their dividend income and net gains from the disposition of Units. Each U.S. Holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in Units.

Considerations for Non-U.S. Holders

The following discussion applies to you only if you are a Non-U.S. Holder. Special rules may apply to you if you are a CFC or a PFIC or are otherwise subject to special treatment under the Code. In such case, you should consult your own tax advisor to determine the U.S. federal, state, local and non-U.S. tax consequences that may be relevant to you with respect to an investment in a Unit.

Dividends

You will generally not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to a Unit, unless that income is effectively connected with your conduct of a trade or business in the United States. If you are entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is generally taxable only if it is attributable to a permanent establishment maintained by you in the United States.

If you are an individual and have dividend income effectively connected with your conduct of a trade or business in the United States, you will be subject to tax on such dividend income under regular graduated U.S. federal income tax rates. If you are a corporation and have dividend income effectively connected with your conduct of a trade or business in the United States, you will be subject to tax on such dividend income under regular graduated U.S. federal income tax rates and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits for the taxable year, which would include such dividend income, at a rate of 30.0%, or at such lower rate as may be specified by an applicable income tax treaty.

Sale, Exchange or Other Taxable Disposition of a Unit

You will generally not be subject to U.S. federal income tax or withholding tax with respect to any gain recognized on a sale, exchange or other taxable disposition of a Unit unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, and, if certain tax treaties apply, is attributable to a permanent establishment you maintain in the United States; or
- you are an individual and you are present in the United States for 183 or more days in the taxable year of the sale, exchange or other taxable disposition, and you meet certain other requirements.

If you are an individual and are described in the first bullet above, you will be subject to tax on any gain derived from the sale, exchange or other taxable disposition of a Unit under regular graduated U.S. federal income tax rates. As described above under the rules applicable to U.S. Holders, such gain will be calculated separately with respect to the Banco common shares, Banco Series A preferred shares and BPP Class A shares. If you are an individual and are described in the second bullet above, you will be subject to a flat 30.0% tax on any gain derived from the sale, exchange or other taxable disposition of a Unit that may be offset by U.S. source capital losses (even though you are not considered a resident of the United States). If you are a corporation and are described in the first bullet above, you will be subject to tax on your gain under regular graduated U.S. federal income tax rates and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits for the taxable year, which would include such gain, at a rate of 30.0%, or at such lower rate as may be specified by an applicable income tax treaty. As described above under the rules applicable to U.S. Holders, such gain will be calculated separately with respect to the Banco common shares, Banco Series A preferred shares, BPP Class A shares and BPP Class B shares.

Possible FATCA Withholding after 2016

Sections 1471 through 1474 of the Code (commonly known as "FATCA") impose a 30% withholding tax on certain payments that are considered "foreign passthru payments" made by a non-U.S. financial institution (such as us) that has entered into an agreement with the IRS to comply with FATCA (each such non-U.S. financial institution, a "Participating FFI"). We intend to become a Participating FFI. Under Treasury regulations, if we become a Participating FFI, this withholding tax may be imposed on payments on Units, to the extent such payments are considered "foreign passthru payments," to any non-U.S. financial institution (including an intermediary through which a holder may hold Units) that is not a Participating FFI and is not otherwise exempt from FATCA. The term "foreign passthru payment" is not defined and it is not clear whether or to what extent payments on the Units would be considered foreign passthru payments. Under Treasury regulations, withholding will not be required with respect to foreign passthru payments before January 1, 2017.

Information Reporting and Backup Withholding

You may be required to establish your exemption from information reporting and backup withholding by certifying your status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If you are a Non-U.S. Holder and you sell a Unit to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell a Unit through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, U.S. information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell a Unit through a non-U.S. office of a broker that is a U.S. person or that has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that you are a non-U.S. person and certain other conditions are met, or you otherwise establish an exemption.

The IRS may make information reported to you and the IRS available under the provisions of an applicable income tax treaty to the tax authorities in the country in which you reside. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished by you to the IRS. You should consult your own tax advisors regarding the filing of a U.S. tax return for claiming a refund of any such backup withholding.

Certain Bermuda Tax Considerations

At the date of this Prospectus, there was no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by BTG Pactual Participations or by the shareholders in respect of the BPP Class A shares and BPP Class B shares other than shareholders ordinarily resident in Bermuda. No stamp duty is payable in Bermuda on the issue, transfer or redemption of BPP Class A shares or BPP Class B shares. BTG Pactual Participations has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to BTG Pactual Participations or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by BTG Pactual Participations in respect of real property owned or leased by it in Bermuda.

Certain Dutch Tax Considerations

General

For the purpose of this summary, it is assumed that neither Banco BTG Pactual nor BTG Pactual Participations is a resident nor deemed to be a resident of the Netherlands for Dutch tax purposes.

The description of Dutch taxation set out in following summary is not intended for any European Unit holder, who:

- is an individual and for whom the income or capital gains derived from the Units are attributable to employment activities the income from which is taxable in the Netherlands;
- holds, or is deemed to hold, a Substantial Interest in Banco BTG Pactual or BTG Pactual Participations (as defined below);
- is an entity that is a resident of the Netherlands and that is, in whole or in part, not subject to or is exempt from Dutch corporate income tax;
- is an entity for which the income or capital gains derived in respect of the Units are exempt under the participation exemption (as set out in the Dutch Corporate Income Tax Act 1969) (*wet op de vennootschapsbelasting 1969*); or
- is a fiscal investment institution (*fiscale beleggingsinstelling*) or an exempt investment institution (*vrijgestelde beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969 (*wet op de vennootschapsbelasting 1969*).

Generally a holder of European Units will have a substantial interest (a "Substantial Interest") if the holder holds, alone or together with his partner, whether directly or indirectly, the ownership of, or certain other rights over, the Units, representing 5% or more of the total issued and outstanding capital of Banco BTG Pactual or BTG Pactual Participations (or the issued and outstanding capital of any class of shares), or rights to acquire Units, whether or not already issued, that represent at any time 5% or more of its total issued and outstanding capital (or the issued and outstanding capital of any class of its shares) or the ownership of certain profit-participating certificates that relate to 5% or more of the annual profit or to 5% or more of the liquidation proceeds of Banco BTG Pactual or BTG Pactual Participations.

A European Unit holder will also have a Substantial Interest if certain relatives of the European Unit holder or of the European Unit holder's partner have a Substantial Interest. If a holder of European Units does not have a Substantial Interest, a deemed Substantial Interest will be present if (part of) a Substantial Interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Dividend Withholding Tax

No Dutch dividend withholding tax (*dividendbelasting*) is due upon the distribution of dividends of Banco BTG Pactual or BTG Pactual Participations.

Corporate Income Tax and Individual Income Tax

Liability for corporate income tax (*vennootschapsbelasting*) or individual income tax (*inkomstenbelasting*) depends on a holder's specific circumstances and on whether a holder is considered to be a resident of the Netherlands for taxation purposes (a "Dutch Holder") or non-resident of the Netherlands for taxation purposes (a "Non-Dutch Holder").

TAXATION

Dutch Holders

A Dutch Holder who is an individual and holds Units is subject to income tax on the dividend received or actual capital gains realized upon the sale, transfer of alienation of the Units at the progressive rates (up to 52%; rates for 2013) if:

(a) the holder has an enterprise or a co-entitlement to the net worth of an enterprise *(medegerechtigde tot het vermogen van een onderneming*) (other than as an entrepreneur or a shareholder), to which enterprise the Units are attributable; or

(b) such gains are taxable as benefits from "miscellaneous activities" (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to Units that exceed regular, active portfolio management (*normaal actief vermogensbeheer*).

If conditions (a) and (b) above do not apply, any holder who is an individual and who is a Dutch Holder will be subject to income tax on a deemed return regardless of the dividends received or actual capital gains realized with respect to the Units. This deemed return has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (*peildatum*), insofar it exceeds a certain threshold (*heffingvrije vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets (including the Units) held by such an individual less the fair market value of certain qualifying liabilities. The deemed return of 4% will be taxed at a rate of 30% (rate for 2012).

A Dutch Holder who is an entity and who holds Units will generally be subject to corporate income tax with respect to dividends received or actual capital gains realized with respect to the Units. The corporate income tax rate is 20% for the first €200,000 of taxable income and 25% for taxable income exceeding €200,000 (rates applicable for 2013).

Non-Dutch Holders

A Non-Dutch Holder who holds European Units is generally not subject to income tax or corporate income tax on the dividends received and actual capital gains realized with respect to the Units, provided that:

(a) such Non-Dutch Holder does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the European Units are attributable or deemed attributable;

(b) in the case of a Non-Dutch Holder who is an individual, the dividends received or actual capital gains realized by such individual upon disposal of the Units are not taxable as benefits from "miscellaneous activities" in the Netherlands (*resultaat uit overige werkzaamheden in Nederland*), which include the performance of activities with respect to Units that exceed regular, active portfolio management (*normaal actief vermogensbeheer*);

(c) in the case of a Non-Dutch Holder who is an individual, such individual is not entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the European Units are attributable; and

(d) in the case of a Non-Dutch Holder that is an entity, such entity is not entitled to a share in the profits of an enterprise (*rechten op aandelen in de winst van een onderneming*) nor co-entitled to the net worth of such enterprise (*medegerechtigde tot het vermogen van een onderneming*) effectively managed in the Netherlands, other than by way of the holding of securities, to which enterprise the European Units are attributable.

Other taxes and duties

No capital duty, registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be due in the Netherlands in respect of or in connection with the listing of the Units.

Additional Information

This summary does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant to a particular holder of Units, who may be subject to special tax treatment under relevant tax law. As this is a general summary, we recommend that Unit holders consult their own tax advisers as to the Dutch tax consequences of the acquisition, ownership or sale of Units, including, in particular, the application to their particular situations of the tax considerations discussed above.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the Units by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are deemed to include "plan assets" of any such plan, account or arrangement (each referred to as a "Benefit Plan Investor").

ERISA and the Code impose certain duties on persons who are fiduciaries of a plan, account or arrangement subject to Title I of ERISA or Section 4975 of the Code (each referred to as an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or any authority or control over the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

Under regulations promulgated by the U.S. Department of Labor, as modified by Section 3(42) of ERISA (referred to as the "Plan Asset Regulations"), when an ERISA Plan acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interests in the entity is held by Benefit Plan Investors (referred to as the "25% Test"), or that the entity is an "operating company," as defined in the Plan Asset Regulations. For purposes of the 25% Test, the assets of an entity will not be treated as "plan assets" if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity interests in the entity is held by Benefit Plan Investors, excluding for purposes of such calculation any equity interests held by persons (other than Benefit Plan Investors) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof.

Our Units and the underlying securities represented by such Units are not expected to be "publicly-offered securities" within the meaning of the Plan Asset Regulations or securities issued by an investment company registered under the U.S. Investment Company Act. In addition, while Banco BTG Pactual is expected to qualify as an "operating company" within the meaning of the Plan Asset Regulations, BTG Pactual Participations is not. Accordingly, if 25% or more of the total value of any class securities in BTG Pactual Participations represented by the Units offered hereby were held by Benefit Plan Investors, an undivided interest in each of the underlying assets of BTG Pactual Participations would be deemed to be "plan assets" of any ERISA Plan that invested in Units offered hereby. If the assets of BTG Pactual Participations were deemed to be "plan assets" under ERISA, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by BTG Pactual Participations and (ii) the possibility that certain transactions in which BTG Pactual Participations might seek to engage could constitute "prohibited transactions" under ERISA and the Code.

Each purchaser and subsequent transferee of our Units will be deemed to represent and warrant that either (i) it is not, and is not acting on behalf of or investing the assets of, a Benefit Plan Investor or (ii) it is an insurance company general account and, at the time of acquisition and throughout the period it holds the Units and underlying securities, (A) its purchase, holding and disposition of the Units and underlying securities is not and will not be prohibited under Section 406 of ERISA or Section 4975 of the Code by reason of U.S. Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25% of the assets of such general account are and will be (or represent) assets of Benefit Plan Investors and (C) it is not and will not be a person who has discretionary authority or control with respect to any assets of BTG Pactual Participations, a person who provides investment advice for a fee (direct or indirect) with respect to such assets, or an affiliate of such a person, and any Units and underlying securities held by such purchaser will not otherwise be disregarded for purposes of calculations under the Plan Asset Regulations.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b) of ERISA) are not subject to the provisions of Title I of ERISA or Section 4975 of the Code, but may be subject to federal, state, local or non-U.S. laws or regulations that are, to a material extent, similar to the foregoing provisions of ERISA or the Code (any such law or regulation referred to as a "Similar Law"). Each purchaser and subsequent transferee of our Units will be deemed to represent and warrant that either (i) it is not, and is not acting on behalf of or investing the assets of, an employee benefit plan or other plan, account or arrangement that is subject to any Similar Law or (ii) its purchase, holding and disposition of the Units and underlying securities will not violate any Similar Law or subject the issuers or any persons responsible for the management of any assets of the issuers to any requirements under any Similar Law.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of our Units.

No U.S. Registration, Investment Company Act and Other Restrictions

We are not registered as an investment company under the Investment Company Act, and our Units and underlying securities have not been registered under the Securities Act. They may not be offered or sold within the United States except in a transaction that:

- is in compliance with the registration requirements of the Securities Act and all applicable securities laws in the states of the United States;
- is exempt from, or is not subject to, the registration requirements of the Securities Act and any applicable securities laws of the states of the United States; and
- is neither prohibited by the Investment Company Act nor would require our company to register as an investment company under the Investment Company Act.

Accordingly, our Units and underlying securities were offered and sold in our initial public offering only:

- inside the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act) and to a limited number of institutional investors that were accredited investors (as defined in Rule 501 under the Securities Act) that were, in each case, also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act) in compliance with the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act, and who submitted orders to acquire Units and underlying securities in an amount of not less than US$250,000 (as determined by reference to the exchange rate for Brazilian *reais* into U.S. dollars) as reasonably determined by the international purchasers or as certified by the purchasers of Units; each such purchaser of Units and underlying securities was required to (i) sign a U.S. Purchaser's Letter as described under "—Deemed Representations of U.S. Purchasers" below or (ii) certify in any other manner acceptable to the underwriters and placement agents in our initial public offering that such purchaser was a qualified purchaser eligible to purchase the Units and underlying securities in connection with our initial public offering; and
- outside the United States to persons in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act (and no such transaction may involve a sale of the Units and underlying securities to or for the account or benefit of a U.S. person as defined in Regulation S).

In addition, purchasers of our Units and underlying securities may not be able to exercise the preemptive rights or subscription rights relating to the shares of Banco BTG Pactual and BTG Pactual Participations, as well as receive securities distributed by us or vote on transactions that would result in the delivery of such securities, unless an exemption from the registration requirements of the Securities Act is available or a registration statement under the Securities Act is effective with respect to those rights. We are not obligated to file a registration statement with respect to any Units, shares or rights distributed by us, and we may not file such a registration statement.

Investment Company Act

In reliance on Section 3(c)(7) under the Investment Company Act, or Section 3(c)(7), Banco BTG Pactual and BTG Pactual Participations have not registered as an investment company pursuant to the Investment Company Act. To rely on Section 3(c)(7), Banco BTG Pactual and BTG Pactual Participations must have a "reasonable belief" that all purchasers of the Units and underlying securities (including the initial purchasers and subsequent transferees) that are located in the United States are "*qualified purchasers*" within the meaning of Section 2(a)(51) of the Investment Company Act at the time of their purchase of such securities. Banco BTG Pactual and BTG Pactual Participations will establish a reasonable belief for purposes of Section 3(c)(7) based upon (i) the representations deemed made by the purchasers of the securities as set forth in these transfer restrictions and (ii) the procedures and restrictions referred to below.

Deemed Representations of U.S. Purchasers

Any person who acquires our Units and/or underlying securities, including through the BM&FBOVESPA or NYSE Euronext Amsterdam (each, a "purchaser"), that is in the U.S. or is a U.S. person as defined for purposes of Regulation S (including the registered holders and beneficial owners of the Units and underlying securities) will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser (i) is a "*qualified institutional buyer*" as defined in Rule 144A of the Securities Act or an institutional "*accredited investor"* as defined in Rule 501 under the Securities Act; (ii) is aware that the sale of the Units and underlying securities to it is being made in reliance on an exemption from the registration requirements of the Securities Act and (iii) is acquiring such Units and underlying securities for its own account or the account of one or more qualified institutional buyers or institutional accredited investors;

2. the purchaser (i) is a "*qualified purchaser*" within the meaning of Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder, which term generally includes (a) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is exempt from registration under Section 3(c)(7) of the Investment Company Act with that person's qualified purchaser spouse) who owns not less than US$5,000,000 in investments, as defined by the SEC; (b) any company that owns not less than US$5,000,000 in investments and that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons; (c) any trust that is not covered by clause (b) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (a), (b), or (d); or (d) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than US$25,000,000 in investments; (ii) is aware that Banco BTG Pactual and BTG Pactual Participations will not be registered under the Investment Company Act in reliance on the exemption set forth in Section 3(c)(7) thereof and that the Units and underlying securities have not been and will not be registered under the Securities Act and (iii) is acquiring such Units and underlying securities for its own account or the account of one or more qualified purchasers as to which the purchaser exercises sole investment discretion, as the case may be;

3. the purchaser is not a broker-dealer that owns and invests on a discretionary basis less than US$25,000,000 in securities of unaffiliated issuers;

4. either (i) the purchaser is not, and is not acting on behalf of or investing the assets of, a Benefit Plan Investor or (ii) the purchaser is an insurance company general account and, at the time of acquisition and throughout the period it holds the Units and underlying securities, (A) its purchase, holding and disposition of the Units and underlying securities is not and will not be prohibited under Section 406 of ERISA or Section 4975 of the Code by reason of U.S. Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25% of the assets of such general account are and will be (or represent) assets of Benefit Plan Investors and (C) it is not and will not be a person who

has discretionary authority or control with respect to any assets of BTG Pactual Participations, a person who provides investment advice for a fee (direct or indirect) with respect to such assets, or an affiliate of such a person, and any Units and underlying securities held by such purchaser will not otherwise be disregarded for purposes of calculations under the Plan Asset Regulations;

5. either (i) the purchaser is not, and is not acting on behalf of or investing the assets of, an employee benefit plan, account or arrangement that is subject to any Similar Law or (ii) the purchaser's purchase, holding and disposition of the Units and underlying securities will not violate any Similar Law or subject the issuers or any persons responsible for the management of any assets of the issuers to any requirements under any Similar Law;
6. the purchaser is not purchasing the Units and underlying securities with a view to the resale, distribution or other disposition thereof in violation of the Securities Act;
7. the purchaser was not formed for the purpose of investing in Banco BTG Pactual or BTG Pactual Participations;
8. the purchaser understands that we may receive a list of participants holding positions in our securities;
9. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Units or underlying securities that have the purpose or effect of evading the applicable restrictions on resale;
10. neither the purchaser nor any account for which the purchaser is acquiring the Units and underlying securities will hold such Units and underlying securities for the benefit of any other person and the purchaser and each such account will be the sole beneficial owners thereof for all purposes and will not sell participation interests in the Units and underlying securities or enter into any other arrangement pursuant to which any other person will be entitled to an interest in the distributions on the Units and underlying securities;
11. the Units and underlying securities are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Units and underlying securities have not been and will not be registered under the Securities Act and Banco BTG Pactual and BTG Pactual Participations have not been and will not be registered under the Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Units and underlying securities, such Units and underlying securities may be offered, resold, pledged or otherwise transferred only (i) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) or an institutional accredited investor (as defined in Rule 501 under the Securities Act) that are, in each case, also a qualified purchaser (as defined in the Investment Company Act) in a transaction exempted from registration under the Securities Act, or (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S (and, for the avoidance of doubt, no such offshore transaction may be pre-arranged with or otherwise represent a sale to a purchaser who is known to be a U.S. person as defined in Regulation S) and (ii) in accordance with all applicable securities laws of the States of the United States; and
12. in the event that Banco BTG Pactual, BTG Pactual Participations or the transfer agent determines in good faith that a U.S. holder or beneficial owner of the Units and underlying securities is in breach, at the time given, of any of the representations or agreements set forth above, Banco BTG Pactual, BTG Pactual Participations or the transfer agent may require such holder or beneficial owner to transfer such Units and underlying securities or beneficial interests therein to a transferee acceptable to Banco BTG Pactual or BTG Pactual Participations, as the case may be, as set forth under "Forced Sale of Securities"; pending such transfer, the U.S. holder will be deemed not to be the holder of

such Units and underlying securities for any purpose, and such U.S. holder will be deemed to have no interest whatsoever in such Units and underlying securities except as otherwise required to redeem or sell its interest therein.

Deemed Representations of Non-U.S. Purchasers

Any person who acquires our Units and/or underlying securities that is outside the U.S. and is a non-U.S. person as defined in Regulation S (including the registered holders and beneficial owners of the Units and underlying securities), will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser is a person who, at the time the buy order for the Units or underlying securities was originated, was outside the United States and was not a "U.S. person" (and was not purchasing for the account or benefit of a "U.S. person") as defined in Regulation S;

2. the purchaser understands that we may receive a list of participants holding positions in our securities;

3. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Units or underlying securities that have the purpose or effect of evading the applicable restrictions on resale;

4. the Units and underlying securities are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Units and underlying securities have not been and will not be registered under the Securities Act and Banco BTG Pactual and BTG Pactual Participations have not been and will not be registered under the U.S. Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Units and underlying securities, such Units and underlying securities may be offered, resold, pledged or otherwise transferred only (i) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) or an institutional accredited investor (as defined in Rule 501 under the Securities Act) that are, in each case, also a qualified purchaser in a transaction exempt from registration under the Securities Act, or (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S (and, for the avoidance of doubt, no such offshore transaction may be pre-arranged with or otherwise represent a sale to a purchaser who is known to be a U.S. person as defined for purposes of Regulation S) and (ii) in accordance with all applicable securities laws of the States of the United States;

5. either (i) the purchaser is not, and is not acting on behalf of or investing the assets of, a Benefit Plan Investor or (ii) the purchaser is an insurance company general account and, at the time of acquisition and throughout the period it holds the Units and underlying securities, (A) its purchase, holding and disposition of the Units and underlying securities is not and will not be prohibited under Section 406 of ERISA or Section 4975 of the Code by reason of U.S. Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25%of the assets of such general account are and will be (or represent) assets of Benefit Plan Investors and (C) it is not and will not be a person who has discretionary authority or control with respect to any assets of BTG Pactual Participations, a person who provides investment advice for a fee (direct or indirect) with respect to such assets, or an affiliate of such a person, and any Units and underlying securities held by such purchaser will not otherwise be disregarded for purposes of calculations under the Plan Asset Regulations;

6. either (i) the purchaser is not, and is not acting on behalf of or investing the assets of, an employee benefit plan, account or arrangement that is subject to any Similar Law or (ii) the purchasers purchase, holding and disposition of the Units and underlying securities will not violate any Similar Law or subject the issuers or any persons responsible for the management of any assets of the issuers to any requirements under any Similar Law; and

7. in the event that Banco BTG Pactual, BTG Pactual Participations or the transfer agent determines in good faith that a U.S. holder or beneficial owner of the Units and underlying securities is in breach, at the time given, of any of the representations or agreements set forth above, Banco BTG Pactual, BTG Pactual Participations or the transfer agent may require such holder or beneficial owner to transfer such Units and underlying securities or beneficial interests therein to a transferee acceptable to Banco BTG Pactual or BTG Pactual Participations, as the case may be, as set forth under "Forced Sale of Securities"; pending such transfer, the holder *will be deemed not to be the holder* of such Units and underlying securities for any purpose, and such holder *will be deemed to have no interes*t whatsoever in such Units and underlying securities except as otherwise required to redeem or sell its interest therein.

7. in the event that Banco BTG Pactual, BTG Pactual Participations or the transfer agent determines in good faith that a U.S. holder or beneficial owner of the Units and underlying securities is in breach, at the time given, of any of the representations or agreements set forth above, Banco BTG Pactual, BTG Pactual Participations or the transfer agent may require such holder or beneficial owner to transfer such Units and underlying securities or beneficial interests therein to a transferee acceptable to Banco BTG Pactual or BTG Pactual Participations, as the case may be, as set forth under "Forced Sale of Securities"; pending such transfer, the holder *will be deemed not to be the holder* of such Units and underlying securities for any purpose, and such holder *will be deemed to have no interes*t whatsoever in such Units and underlying securities except as otherwise required to redeem or sell its interest therein.

Legends

European Units and GDRs

Certificates evidencing the European Units (to the extent they are in certified form), unless otherwise determined in accordance with applicable law, will bear a legend substantially to the following effect:

EACH UNIT REPRESENTS ONE COMMON SHARE AND TWO SERIES A PREFERRED SHARES OF BANCO BTG PACTUAL S.A. ("BANCO BTG PACTUAL") IN THE FORM OF GLOBAL DEPOSITARY SHARES, AND ONE CLASS A SHARE AND TWO CLASS B SHARES OF BTG PACTUAL PARTICIPATIONS LTD. ("BTG PACTUAL PARTICIPATIONS" AND, TOGETHER WITH BANCO BTG PACTUAL, THE "ISSUERS"). THE UNITS AND UNDERLYING SECURITIES (COLLECTIVELY, THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE STATE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND WERE PLACED INITIALLY PURSUANT TO EXEMPTIONS FROM, OR IN TRANSACTIONS NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT").

THE SECURITIES OR ANY INTEREST THEREIN MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT:

(I) THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS IN A TRANSACTION THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT TO A PERSON THAT

(1) IS ALL OF THE FOLLOWING: (i) EITHER (A) A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) AN INSTITUTIONAL ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A) UNDER THE U.S. SECURITIES ACT) AND, IN EACH CASE, ALSO A QUALIFIED PURCHASER (AS DEFINED IN THE U.S. INVESTMENT COMPANY ACT AND RELATED RULES, A "QP"); (ii) NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS; AND (iii) NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A PLAN DESCRIBED IN SUBSECTIONS (A)(1)(i)(D), (E) OR (F) OF RULE 144A UNDER THE U.S. SECURITIES ACT;

(2) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUERS;

(3) EITHER (A) IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA; (ii) A "PLAN" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TO WHICH SECTION 4975 OF THE CODE APPLIES; OR (iii) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING PLANS BY REASON OF ANY SUCH PLAN’S INVESTMENT IN SUCH ENTITY (EACH OF (i), (ii) or (iii), A "BENEFIT PLAN INVESTOR") OR (B) IS AN INSURANCE COMPANY GENERAL ACCOUNT AND, AT THE TIME OF ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THE SECURITIES, (i) ITS PURCHASE, HOLDING AND DISPOSITION OF THE SECURITIES IS NOT, AND WILL NOT BE, PROHIBITED UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 95-60, (ii) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE, AND WILL BE, (OR REPRESENT) ASSETS OF BENEFIT PLAN INVESTORS AND (iii) IS NOT, AND WILL NOT BE, A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO ANY ASSETS OF BTG PACTUAL PARTICIPATIONS, A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS, OR AN AFFILIATE OF SUCH A PERSON, AND ANY SECURITIES IT HOLDS WILL NOT OTHERWISE BE DISREGARDED FOR PURPOSES OF CALCULATIONS UNDER 29 C.F.R. 2510.3-101(f)(1), AS MODIFIED BY SECTION 3(42) OF ERISA;

(4) EITHER (A) IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF, A "GOVERNMENTAL PLAN" (AS DEFINED IN SECTION 3(32) OF ERISA), "CHURCH PLAN" (AS DEFINED IN SECTION 3(33) OF ERISA) OR NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(b) OF ERISA) THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT VIOLATE ANY SIMILAR LAW OR SUBJECT THE ISSUERS OR ANY PERSONS RESPONSIBLE FOR THE MANAGEMENT OF ANY ASSETS OF THE ISSUERS TO ANY REQUIREMENTS UNDER ANY SIMILAR LAW; AND

(5) IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT AS PRINCIPAL, OR FOR THE ACCOUNT OF ANOTHER PERSON WHO IS ABLE TO AND IS DEEMED TO MAKE THE REPRESENTATIONS IN CLAUSES (1), (2), (3) AND (4) ABOVE;

(II) THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, AND AT THE TIME THE BUY ORDER ORIGINATED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES, OR THE TRANSFEROR AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES.

THE TERMS "U.S. PERSON" AND "OFFSHORE TRANSACTION" HAVE THE MEANINGS SET FORTH IN REGULATION S.

THE SURRENDER OF UNITS IN EXCHANGE FOR UNDERLYING SECURITIES OR THE ISSUANCE OF NEW UNITS UPON DEPOSIT OF UNDERLYING SECURITIES WILL REQUIRE THE PERSON ACQUIRING THE BENEFICIAL OWNERSHIP OF THE UNDERLYING SECURITIES OR UNITS, AS THE CASE MAY BE, TO CERTIFY IN WRITING IN A FORM ACCEPTABLE TO THE ISSUERS AND THE EUROPEAN UNIT DEPOSITARY THAT SUCH PERSON COMPLIES WITH THE TRANSFER RESTRICTIONS DESCRIBED ABOVE.

THE ISSUERS AND THEIR AGENTS SHALL NOT BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SECURITIES MADE OTHER THAN IN COMPLIANCE WITH THESE RESTRICTIONS. THE ISSUERS AND THEIR AGENTS MAY REQUIRE ANY PERSON WITHIN THE UNITED STATES OR ANY U.S. PERSON WHO IS REQUIRED UNDER THESE RESTRICTIONS TO BE A QP BUT WHO IS NOT A QP AT THE TIME IT ACQUIRES THE SECURITIES TO TRANSFER THE SECURITIES IMMEDIATELY TO A PERSON OR ENTITY THAT IS BOTH A U.S. PERSON AND A QP OR TO TRANSFER THE SECURITIES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION.

Certificates evidencing the GDSs, Banco common shares, Banco Series A preferred shares, BPP Class A shares and BPP Class B shares (in each case, to the extent they are in certificated form), unless otherwise determined in accordance with applicable law, will bear a legend substantially similar to the legend described above, with appropriate modifications to language in contemplation of a GDS instead of a European Unit, a Banco common share, a Banco Series A preferred share, a BPP Class A share or a BPP Class B share, as the case may be.

Brazilian Units and BDRs

Certificates evidencing the Brazilian Units (to the extent they are in certificated form), unless otherwise determined in accordance with applicable law, will bear a legend substantially to the following effect:

EACH UNIT REPRESENTS ONE COMMON SHARE AND TWO SERIES A PREFERRED SHARES OF BANCO BTG PACTUAL S.A. ("BANCO BTG PACTUAL"), AND ONE CLASS A SHARE AND TWO CLASS B SHARES OF BTG PACTUAL PARTICIPATIONS LTD. ("BTG PACTUAL PARTICIPATIONS" AND, TOGETHER WITH BANCO BTG PACTUAL, THE "ISSUERS") IN THE FORM OF BRAZILIAN DEPOSITARY RECEIPTS. THE UNITS AND UNDERLYING SECURITIES (COLLECTIVELY, THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE STATE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND WERE PLACED INITIALLY PURSUANT TO EXEMPTIONS FROM, OR IN TRANSACTIONS NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S.

SECURITIES ACT. THE ISSUERS HAVE NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT").

THE SECURITIES OR ANY INTEREST THEREIN MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT:

(I) THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS IN A TRANSACTION THAT IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT TO A PERSON THAT

(1) IS ALL OF THE FOLLOWING: (i) EITHER (A) A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) AN INSTITUTIONAL ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A) UNDER THE U.S. SECURITIES ACT) AND, IN EACH CASE, ALSO A QUALIFIED PURCHASER (AS DEFINED IN THE U.S. INVESTMENT COMPANY ACT AND RELATED RULES, A "QP"); (ii) NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS; AND (iii) NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A PLAN DESCRIBED IN SUBSECTIONS (A)(1)(i)(D), (E) OR (F) OF RULE 144A UNDER THE U.S. SECURITIES ACT;

(2) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUERS;

(3) EITHER (A) IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA; (ii) A "PLAN" WITHIN THE MEANING OF SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), TO WHICH SECTION 4975 OF THE CODE APPLIES; OR (iii) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING PLANS BY REASON OF ANY SUCH PLAN’S INVESTMENT IN SUCH ENTITY (EACH OF (i), (ii) or (iii), A "BENEFIT PLAN INVESTOR") OR (B) IS AN INSURANCE COMPANY GENERAL ACCOUNT AND, AT THE TIME OF ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THE SECURITIES; (i) ITS PURCHASE, HOLDING AND DISPOSITION OF THE SECURITIES ARE NOT, AND WILL NOT, BE PROHIBITED UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 95-60; (ii) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE, AND WILL BE, (OR REPRESENT) ASSETS OF BENEFIT PLAN INVESTORS AND (iii) IS NOT, AND WILL NOT BE, A PERSON WHO HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO ANY ASSETS OF BTG PACTUAL PARTICIPATIONS, A PERSON WHO PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS, OR AN AFFILIATE OF SUCH A PERSON, AND ANY SECURITIES IT HOLDS WOULD NOT OTHERWISE BE DISREGARDED FOR PURPOSES OF CALCULATIONS UNDER 29 C.F.R. 2510.3-101(f)(1) AS MODIFIED UNDER SECTION 3(42) OF ERISA;

(4) EITHER (A) IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF, A "GOVERNMENTAL PLAN" (AS DEFINED IN SECTION 3(32) OF ERISA), "CHURCH PLAN" (AS DEFINED IN SECTION 3(33) OF ERISA) OR NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(b) OF ERISA) THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE, TO A MATERIAL EXTENT, SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (B) ITS PURCHASE, HOLDING AND DISPOSITION OF THE SECURITIES WILL NOT VIOLATE ANY SIMILAR LAW OR SUBJECT THE ISSUERS OR ANY PERSONS RESPONSIBLE FOR THE MANAGEMENT OF ANY ASSETS OF THE ISSUERS TO ANY REQUIREMENTS UNDER ANY SIMILAR LAW; AND

(5) IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT AS PRINCIPAL, OR FOR THE ACCOUNT OF ANOTHER PERSON WHO IS ABLE TO AND IS DEEMED TO MAKE THE REPRESENTATIONS IN CLAUSES (1), (2), (3) AND (4) ABOVE;

(II) THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON, AND AT THE TIME THE BUY ORDER ORIGINATED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES, OR THE TRANSFEROR AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE TRANSFEREE WAS OUTSIDE THE UNITED STATES.

THE TERMS "U.S. PERSON" AND "OFFSHORE TRANSACTION" HAVE THE MEANINGS SET FORTH IN REGULATION S.

THE SURRENDER OF UNITS IN EXCHANGE FOR UNDERLYING SECURITIES OR THE ISSUANCE OF NEW UNITS UPON DEPOSIT OF UNDERLYING SECURITIES WILL REQUIRE THE PERSON ACQUIRING THE BENEFICIAL OWNERSHIP OF THE UNDERLYING SECURITIES OR UNITS, AS THE CASE MAY BE, TO CERTIFY IN WRITING IN A FORM ACCEPTABLE TO THE ISSUERS AND THE DESIGNATED UNIT DEPOSITARY THAT SUCH PERSON COMPLIES WITH THE TRANSFER RESTRICTIONS DESCRIBED ABOVE.

THE ISSUERS AND THEIR AGENTS SHALL NOT BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SECURITIES MADE OTHER THAN IN COMPLIANCE WITH THESE RESTRICTIONS. THE ISSUERS AND THEIR AGENTS MAY REQUIRE ANY PERSON WITHIN THE UNITED STATES OR ANY U.S. PERSON WHO IS REQUIRED UNDER THESE RESTRICTIONS TO BE A QP BUT WHO IS NOT A QP AT THE TIME IT ACQUIRES THE SECURITIES, TO TRANSFER THE SECURITIES IMMEDIATELY TO A PERSON OR ENTITY THAT IS BOTH A U.S. PERSON AND A QP OR TO TRANSFER THE SECURITIES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION.

Certificates evidencing the BDRs Banco common shares, Banco Series A preferred shares, BPP Class A shares and BPP Class B Shares (in each case, to the extent they are in certificated form), unless otherwise determined in accordance with applicable law, will bear a legend substantially similar to the legend described above, with appropriate modifications to language in contemplation of a BDR, a Banco common share, a Banco Series A preferred share, a BPP Class A share or a BPP Class B share, as the case may be, instead of a Brazilian Unit.

TRANSFER RESTRICTIONS

Transfers and Resales

Trading (i) on NYSE Euronext Amsterdam or BM&FBOVESPA (or Other Certified Non-U.S. Exchange) or (ii) through Book-Entry Transfers on Euroclear and Clearstream

Any person who purchases Units, underlying securities or any interest therein on NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange), as well as through book-entry transfers on Euroclear and Clearstream, will be deemed to have represented, agreed and acknowledged as set forth above "—Deemed Representations of U.S. Purchasers" or "—Deemed Representations of non-U.S. Purchasers," as the case may be.

Trading (i) outside NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange) or (ii) through Transfers Other Than Book-Entry Transfers on Euroclear and Clearstream

Purchases within the United States for the Account or Benefit of a U.S. Person

In the event of a transfer or resale of any Units, underlying securities or any interest therein which is not made (i) on NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange) or (ii) through book-entry transfers on Euroclear and Clearstream, to a purchaser within the United States or to a purchaser for the account or benefit of, a U.S. person within the meaning of Regulation S, such purchaser will be required to execute a U.S. Purchaser’s Letter addressed to the Issuers and the relevant depositary, in which such purchaser (i) agrees not to deposit the Units into an unrestricted American depositary receipt facility and (ii) represents, agrees and acknowledges to (A) as set forth above "—Deemed Representations of U.S. Purchasers" and (B) as follows:

1. the purchaser will not transfer the Units, underlying securities or any interest therein to any person or entity, unless such person or entity could itself truthfully make the representations and covenants set forth in the U.S. Purchaser’s Letter or the Non-U.S. Purchaser’s Letter; and

2. the purchaser will provide notice of the transfer restrictions to any subsequent transferees.

Purchases Outside the United States to a non-U.S. Person

In the event of a transfer or resale of any Units, underlying securities or any interest therein which is not made (i) through NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange), or (ii) through book-entry transfers in Euroclear and Clearstream, to a purchaser that is outside the United States and is a non-U.S. person (as defined in Regulations S), such purchaser will be required to execute a Non-U.S. Purchaser’s Letter addressed to the Issuers and the relevant depositary, in which such purchaser represents, agrees and acknowledges to (i) as set forth under "—Deemed Representations of Non-U.S. Purchasers" and (ii) the following additional representations:

1. the purchaser will not transfer the Units or underlying securities to any person or entity, unless such person or entity could itself truthfully make the representations and covenants or the representations set forth in the U.S. Purchaser’s Letter or the Non-US Purchaser’s Letter; and

2. the purchaser will provide notice of the transfer restrictions to any subsequent transferees.

Cancellation and Issuance of Units, BDRs and GDSs

Cancellation

The surrender of Brazilian Units, European Units, BDRs or GDSs in exchange for the corresponding underlying securities will require the person acquiring the beneficial ownership of such underlying securities to provide representations, assurances and certifications substantially similar to those included in the U.S. Purchaser’s Letter or the Non-US Purchaser’s Letter, or the Certifications, as applicable, with appropriate modifications to language in contemplation of the acquisition of such underlying securities.

TRANSFER RESTRICTIONS

Issuance

The issuance of Brazilian Units, European Units, BDRs and GDSs upon deposit of the corresponding underlying securities with the European depositary, BDR depositary or GDS depositary, respectively, will require the person acquiring beneficial ownership of the Units, BDRs or GDSs to provide Certifications with appropriate modifications to language in contemplation of an issuance of European Units, BDRs or GDSs, respectively. The Certifications to be provided with respect to the issuance of BDRs or GDSs will be provided by (i) the holders thereof if they are not deposited with the Unit depositaries for the issuance of new Units or (ii) the Unit holders if they are deposited with the Unit depositaries for the issuance of new Units.

Forced Sale of Securities

The purchaser agrees that in the event that Banco BTG Pactual, BTG Pactual Participations or the transfer agent determines in good faith that a holder or beneficial owner of the Units and underlying securities is in breach, at the time given, of any of the representations or agreements set forth above, Banco BTG Pactual or BTG Pactual Participations or the transfer agent, as the case may be, may require such acquirer or beneficial owner to transfer such Units and underlying securities or beneficial interests therein to a transferee acceptable to Banco BTG Pactual or BTG Pactual Participations, as the case may be, who is able to and who does make all of the representations and agreements set forth in these transfer restrictions. In particular, if a U.S. beneficial owner of Units and underlying securities who is required to be a qualified purchaser within the meaning of Section 2(a)(51) under the U.S. Investment Company Act is at any time not a qualified purchaser, we may (i) require such beneficial owner to sell its Units and underlying securities to a person who is a qualified purchaser and who is otherwise qualified to purchase such Units and underlying securities in a transaction exempt from registration under the Securities Act; (ii) require the beneficial owner to sell such Units and underlying securities to Banco BTG Pactual or BTG Pactual Participations, as the case may be, or an affiliate thereof at a price equal to the lesser of (A) the purchase price paid by the holder for such Units and underlying securities, or (B) the average trading closing price on the BM&FBOVESPA (or, in case the BM&FBOVESPA is not the primary exchange on which the securities are traded, any other exchange which constitutes such primary exchange) on the 30 trading days immediately prior to the date the holder entered into a binding agreement to transfer the securities or (iii) require the holder of beneficial owner to sell its Units and underlying securities on NYSE Euronext Amsterdam or BM&FBOVESPA (or any other certified non-U.S. exchange), provided that no such exchange transaction may be pre-arranged with or otherwise represent a sale to a purchaser who is known by the beneficial owner or an agent of the beneficial owner to be a U.S. person as defined for purposes of Regulation S. Pending such transfer, such U.S. holder will be deemed not to be the holder of such Units and underlying securities for any purpose, including but not limited to receipt of dividend and redemption payments on such Units and underlying securities or distributions upon the liquidation of Banco BTG Pactual or BTG Pactual Participations, as the case may be, and such U.S. holder will be deemed to have no interest whatsoever in such Units and underlying securities except as otherwise required to redeem or sell its interest therein as described in this paragraph.

Limitation on Recognition of Transfers and Resales

We shall not be obliged to recognize any resale or other transfer of Units or underlying securities made other than in compliance with the above-stated restrictions. We may require any U.S. person or any person within the United States who is required under these transfer restrictions to be both (i) a qualified institutional buyer (as defined in Rule 144A under the Securities Act) or an institutional accredited investor (as defined in Rule 501 under the Securities Act) and (ii) a qualified purchaser, as defined in the Investment Company Act, but is not a qualified institutional buyer or an institutional accredited investor and/or a qualified purchaser at the time it acquires a beneficial interest in our Units or underlying securities, either directly or indirectly, to transfer those Units or underlying securities immediately to a non-U.S. person in an offshore transaction pursuant to Regulation S or, if applicable, transfer those Units or underlying securities immediately to a person or entity that is a U.S. person and who is both (A) a qualified institutional buyer or an institutional accredited investor and (B) a qualified purchaser. Pending such transfer, we are authorized, subject to limitations set forth in the applicable laws, to suspend the exercise of voting rights, if any, relating to the relevant Units or underlying securities and the right to receive dividends in respect of the relevant Units or underlying securities.

Reminder Notices

Whenever we send an annual report or other periodic report to holders of the Units and underlying securities, we will also send a reminder notice (each referred to as a "Reminder Notice") to the holders of the Units and underlying securities. Each Reminder Notice will state that (i) each holder of the Units or the underlying securities (or an interest in the Units or the underlying securities) must be able to make the representations set forth above, or the 3(c)(7) Representations), (ii) the Units and underlying securities (or interests in the Units and underlying securities) are transferable only to purchasers deemed to have made the 3(c)(7) Representations and to have satisfied the other transfer restrictions applicable to the Units and underlying securities, (iii) if any prospective transferee of the Units and underlying securities (or an interest in the Units and underlying securities) is determined not to be a qualified purchaser, then we will have the right (exercisable in our sole discretion) to refuse to honor such transaction and (iv) if any security holder (or any holder of an interest in a security) is determined not to be a qualified purchaser, then we will have the right (exercisable in our sole discretion) to treat the transfer to such purchaser as null and void and require such purchaser to sell all of its securities (and all interests therein) to a transferee designated by us at the then current market price therefor. We will send a copy of each annual or other periodic report (and each Reminder Notice) to our securities depositaries with a request that participating organizations in the securities depositaries forward them to the security holders or holders of an interest in the Units and underlying securities.

Euroclear Actions with Respect to the Units and Underlying Securities

Banco BTG Pactual and BTG Pactual Participations has instructed Euroclear, as operator of the Euroclear System, to take the following steps in connection with the Units and underlying securities:

- to reference "144A/3(c)(7)" as part of the security name in the Euroclear securities database;
- in each daily securities balances report and daily transactions report to Euroclear participants holding positions in the Units and underlying securities, to include "144A/3(c)(7)" in the securities name for the Units and underlying securities;
- periodically (and at least annually) to send to the Euroclear participants holding positions in the Units and underlying securities an electronic "Important Notice" outlining the restrictions applicable to 3(c)(7) securities;
- to deliver to Banco BTG Pactual and BTG Pactual Participations from time to time, upon its request, a list of all Euroclear participants holding an interest in the Units and underlying securities; and
- to include the 3(c)(7) marker in the name of the Units and underlying securities in lists distributed by Euroclear monthly to its participants showing all securities accepted within the Euroclear securities database.

Clearstream Actions with Respect to the Units and Underlying Securities

Banco BTG Pactual and BTG Pactual Participations has instructed Clearstream to take the following steps in connection with the Units and underlying securities:

- to reference "144A/3(c)(7)" as part of the security name in the Clearstream securities database;

- in each daily portfolio report and daily settlement report to Clearstream participants holding positions in the Units and underlying securities, to include "144A/3(c)(7)" in the securities name for the Units and underlying securities;
- periodically (and at least annually) to send to the Clearstream participants holding positions in the Units and underlying securities an electronic "Important Notice" outlining the restrictions applicable to 3(c)(7) securities;
- to deliver to Banco BTG Pactual and BTG Pactual Participations from time to time, upon its request, a list of all Clearstream participants holding an interest in the Units and underlying securities; and
- to include the 3(c)(7) marker in the name of the Units and underlying securities in the continuously updated list made available by Clearstream to its participants showing all securities accepted within the Clearstream securities database and to include the 3(c)(7) marker in the name of the Units and underlying securities.

Bloomberg Screens, etc.

Banco BTG Pactual and BTG Pactual Participations will from time to time request all third-party vendors to include appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions on the Units and underlying securities on screens maintained by such vendors. Without limiting the foregoing, we have requested that Bloomberg, L.P. include the following on each Bloomberg screen containing information about the securities as applicable:

- the bottom of the "Security Display" page describing the Units and underlying securities should state: "Iss'd under 144A/3c7";
- the "Security Display" page should have an indicator stating "Additional Note Pg";
- such indicator for the Units and underlying securities should link to an "Additional Security Information" page, which should state that the Units and underlying securities "are being offered in reliance on the exception from registration under the Securities Act of 1933, as amended (the "Securities Act") to persons that are (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act) or institutional accredited investors (as defined in Rule 501 under the Securities Act) and that are, in each case, also (ii) qualified purchasers as defined under Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended; and
- the "Disclaimer" pages for the Units and underlying securities should state that the securities "have not been and will not be registered under the Securities Act of 1933, as amended, and Banco BTG Pactual S.A. and BTG Pactual Participations Ltd. have not been registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), and the Units and underlying securities may not be offered or sold absent an applicable exemption from registration requirements and any such offer and sale of these securities must be in accordance with Section 3(c)(7) of the U.S. Investment Company Act."

CUSIP

Banco BTG Pactual and BTG Pactual Participations will cause each "CUSIP" obtained for the Units and the underlying securities to have an attached "fixed field" that contains "3c7" and "144A" indicators.

ERISA

The Units and underlying securities, as well as any beneficial interest therein, may not be acquired or held by investors using assets of any Benefit Plan Investor unless the investor is an insurance company general account and, at the time of acquisition and throughout the period it holds the Units and underlying securities, (i) its purchase, holding and disposition of the Units is not and will not be prohibited under Section 406 of

ERISA or Section 4975 of the Code by reason of U.S. Department of Labor Prohibited Transaction Class Exemption 95-60, (ii) less than 25% of the assets of such general account are and will be (or represent) assets of Benefit Plan Investors and (C) it is not and will not be a person who has discretionary authority or control with respect to any assets of BTG Pactual Participations, a person who provides investment advice for a fee (direct or indirect) with respect to such assets, or an affiliate of such a person, and any Units and underlying securities held by such purchaser will not otherwise be disregarded for purposes of calculations under the Plan Asset Regulations. Each purchaser of Units or underlying securities and each subsequent transferee will, by executing and delivering a U.S. Purchaser's Letter (when required), represent, agree and acknowledge in writing that no portion of the assets used to acquire or hold its interest in the Units and underlying securities constitutes or will constitute the assets of any Benefit Plan Investor unless the requirements set forth above are met at the time of acquisition and will continue to be met throughout the period it holds the Units and underlying securities

Upon receipt by any of our officers or directors of a notice in writing from the Unit depositary that a Benefit Plan Investor is the registered holder of our Units and such requirements have not been met, any of our officers or directors shall be authorized and empowered and shall be appointed the Benefit Plan Investor's true and lawful agent and attorney-in-fact, with full power of substitution and full power and authority in its name, place and stead, to make, execute, sign, acknowledge, swear to, record and file a share transfer form and any other documentation on such Benefit Plan Investor's behalf transferring the Units to a person unaffiliated with us determined in the good faith discretion of our board of directors for aggregate consideration equal to US$1.00 and enter such person as the registered holder of such in the register.

The transfer restrictions will remain in effect until we determine, in our sole discretion, to remove them.

ENFORCEMENT OF JUDGMENTS

Banco BTG Pactual is incorporated under the laws of Brazil, and BTG Pactual Participations is incorporated and BTGI is established under the laws of Bermuda. Most of their board members, executive officers and independent public accountants (as the case may be), as well as most of their assets and those of such other persons, are located outside the United States and Europe. As a result, it may not be possible for you to effect service of process upon Banco BTG Pactual, BTG Pactual Participations and BTGI or such other persons within the United States or other jurisdictions outside Brazil or Bermuda. Because judgments of U.S. or other foreign courts for civil liabilities based upon the U.S. federal (or other non-Brazilian and non-Bermudian) securities laws may only be enforced in Brazil or Bermuda, as the case may be, if certain conditions are met, you may face greater difficulties in protecting your interests in the case of actions by Banco BTG Pactual, BTG Pactual Participations and BTGI, their board of directors or executive officers (as the case may be) than would shareholders of a U.S. or European (as the case may be) corporation. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Brazil or in Bermuda.

Banco BTG Pactual

We have been advised by Machado, Meyer, Sendacz e Opice, our Brazilian counsel, that final substantiated (i.e., if the grounds for the judgment are contained in the decision), certain (i.e., the obligation to be accomplished in Brazil as ordered by the foreign judgment is clearly defined) and conclusive judgments of United States courts for civil liabilities based upon the federal securities laws of the United States may be, subject to the requirements described below, enforced in Brazil. A judgment against Banco BTG Pactual or the persons described above obtained outside Brazil would be enforceable in Brazil without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or STJ. Such confirmation would occur if the foreign judgment:

- complies with all formalities required for its enforceability under the laws of the jurisdiction where the foreign judgment is granted;
- is issued by a competent court after due service of process on us or sufficient evidence of our absence has been given as required under applicable law;
- is final and not subject to appeal;
- is authenticated by a Brazilian consular office with jurisdiction over the location where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

There can be no certainty that the confirmation will be obtained, that the process described above will be conducted in a timely manner or that Brazilian courts will enforce a monetary judgment for violation of the United States securities laws with respect to the Units offered by this Prospectus.

Brazilian counsel have further advised us that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce civil liabilities in such actions against Banco BTG Pactual, the directors and executive officers and the advisors of Banco BTG Pactual named in this Prospectus.

A plaintiff (whether or not Brazilian) residing outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that could secure such payment. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply to the enforcement of foreign judgments that have been duly confirmed by the STJ.

Investors may also have difficulties enforcing original actions brought in courts in jurisdictions outside the United States for liabilities under the U.S. securities laws.

ENFORCEMENT OF JUDGMENTS

Additionally, pursuant to Banco BTG Pactual's by-laws, Banco BTG Pactual, its shareholders, directors and officers, and the members of our fiscal council will settle any and all disputes or controversies which may arise amongst themselves relating to, or originating from, the application, validity, effectiveness, interpretation, violations and effects of violations of the provisions of its by-laws, or applicable laws and regulations, pursuant to arbitration in accordance with the procedures established by the International Chamber of Commerce Court of International Arbitration. See "Description of Capital Stock—Banco BTG Pactual" for a description of Banco BTG Pactual's by-laws provisions concerning arbitration.

BTG Pactual Participations and BTGI

We have been advised by Conyers Dill & Pearman Limited, our special Bermuda counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named herein, predicated upon the civil liability provisions of the U.S. federal securities laws or whether proceedings could be commenced in the courts of Bermuda against us or such persons predicated solely upon U.S. federal securities laws. Further, we have been advised by Conyers Dill & Pearman Limited that there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts, and there may be grounds upon which Bermuda courts will not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy.

LEGAL MATTERS

Machado, Meyer, Sendacz e Opice, our Brazilian counsel, has passed on the validity of the Units and certain other matters of Brazilian law. Conyers Dill & Pearman Limited, our special Bermuda counsel, has passed on the validity of our BPP Class A shares, BPP Class B shares and certain other matters of Bermuda law. Skadden, Arps, Slate, Meagher & Flom LLP, our United States counsel, has passed on certain legal matters for us.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco BTG Pactual as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with IFRS, the consolidated financial statements of BTG Pactual Participations as of December 31, 2010 and as of and for the year ended December 31, 2011 and 2012 prepared in accordance with IFRS, the consolidated financial statements of BTGI as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with IFRS and our combined financial statements as of and for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with Brazilian GAAP have each been audited by Ernst & Young Terco Auditores Independentes S.S., located at Avenida Presidente Juscelino Kubitschek, 1830 – Torre II - 5º, São Paulo, SP, Brazil, independent auditors registered with the CVM, in accordance with Brazilian and international standards on auditing as stated in their report included elsewhere in this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The information on the pages mentioned in the following documents which have previously been published is incorporated in this Prospectus by reference and, as such, forms part of this Prospectus. The incorporation by reference extends only to the pages indicated below. Non-incorporated parts of the documents listed below are either not relevant for the investor or covered elsewhere in this Prospectus. Ernst & Young Terco Auditores Independentes S.S. has not performed an audit or review of BTGI's and Banco BTG Pactual's financial statements for the six-month period ended June 30, 2013. For the availability of these documents, see "Market Information—Documents on Display."

- Banco BTG Pactual S.A's unaudited consolidated financial statements prepared in accordance with IFRS as of and for the six-month period ending June 30, 2013
- BTG Participations Ltd's unaudited consolidated financial statements prepared in accordance with IFRS as of and for the six-month period ending June 30, 2013

DEFINITIONS

(i) "Banco BTG Pactual" are to (A) Banco Pactual S.A., a corporation (*sociedade anônima*) organized under the laws of Brazil, and its consolidated subsidiaries, when such reference is used with respect to any period prior to December 1, 2006, (B) Banco UBS Pactual S.A., a corporation (*sociedade anônima*) organized under the laws of Brazil, and its consolidated subsidiaries, when such reference is used with respect to the period from and including December 1, 2006 through September 18, 2009 and (C) Banco BTG Pactual S.A., a corporation (*sociedade anônima*) organized under the laws of Brazil, and its consolidated subsidiaries, when such reference is used with respect to any period on or after September 19, 2009;

(ii) "Banco common shares" are to the common shares of the capital stock of Banco BTG Pactual, including in the form of GDSs;

(iii) "Banco preferred shares" are, collectively, to the Banco Series A preferred shares and Banco Series B preferred shares;

(iv) "Banco Series A preferred shares" are to the Series A preferred shares of the capital stock of Banco BTG Pactual, including in the form of GDSs;

(v) "Banco Series B preferred shares" are to the Series B preferred shares of the capital stock of Banco BTG Pactual, all of which are currently held by BTG Pactual Holding (and, indirectly, the Partners) and, subject to certain conditions, may be converted into Banco Series A preferred shares or Banco common shares. See "Description of Capital Stock—Banco BTG Pactual—Share Capital—Banco Preferred Shares";

(vi) "BDRs" are to Brazilian Depositary Receipts, each of which represents either one BPP Class A share or one BPP Class B share;

(vii) "Bonuses" are both to bonuses paid to employees and discretionary and/or incentive allocations of profits made to Partners;

(viii) "BPP Class A shares" are to the Class A voting common shares of the share capital of BTG Pactual Participations, the general partner of BTGI;

(ix) "BPP Class B shares" are to the Class B non-voting common shares of the share capital of BTG Pactual Participations, the general partner of BTGI;

(x) "BPP Class C share" are to one Class C voting common share of the share capital of BTG Pactual Participations, the general partner of BTGI, which has no economic rights and is currently held directly by BTG GP and indirectly by André Santos Esteves and the Top Seven Partners, and pursuant to which BTG GP directly controls (and Mr. Esteves indirectly controls) BTG Pactual Participations and BTGI;

(xi) "BPP Class D shares" are to the Class D voting-only common shares of the share capital of BTG Pactual Participations, the general partner of BTGI, which have no economic rights and are currently held by certain members of the Consortium and the Participating Partners and will be cancelled in connection with the consummation of the transactions contemplated by the Consortium Withdrawal Agreement. See "Withdrawal Agreements";

(xii) "Brazilian Units" are to global depositary Units representing (A) one Banco common share, (B) two Banco Series A preferred shares and (C) three BDRs (of which one represents one BPP Class A share and two represent one BPP Class B share each). The Brazilian Units include those described in this Prospectus and any Brazilian Units to be issued in the future, whether due to new equity issuances by us or as a result of the conversion or exchange of European Units or any other equity securities of Banco BTG Pactual or BTGI owned by the members of the Consortium, the Participating Partners or our Partners, among others. See "Description of Units, BDRs and GDSs." Each of the Brazilian Units described herein represent (A) one Banco common share, (B) two Banco Series A preferred shares and (C) three BDRs (of which one will represent one BPP Class A share and two will represent one BPP Class B share each);

(xiii) "BTG Alpha" are to BTG Alpha Investments LLC, a limited liability company organized under the laws of Delaware, which was a wholly-owned indirect subsidiary of BTGI until March 31, 2010;

(xiv) "BTG Bermuda Holdco" are to BTG Bermuda LP Holdco Ltd, an exempted company incorporated under the laws of Bermuda, which is a wholly-owned subsidiary of BTG Pactual Participations and the direct holder of all of the BTGI Class C partnership interests;

(xv) "BTG GP" are to BTG Pactual Management Ltd, an exempted company incorporated under the laws of Bermuda and the holder of the BPP Class C share, which is controlled by André Santos Esteves;

(xvi) "BTGI" are to BTG Investments L.P., an exempted limited partnership established under the laws of Bermuda, and its consolidated subsidiaries;

(xvii) "BTGI Class A partnership interests" are to the limited partnership interests of BTGI consisting of Class A Common Units, which are held by certain Partners;

(xviii) "BTGI Class B partnership interests" are to the limited partnership interests of BTGI consisting of Class B Common Units, which are held by certain Partners;

(xix) "BTGI Class C partnership interests" are to the limited partnership interests of BTGI consisting of Class C Common Units, all of which are held directly by BTG Bermuda Holdco and indirectly by BTG Pactual Participations and Unit holders;

(xx) "BTGI Class D partnership interests" are to the limited partnership interests of BTGI consisting of Class D Common Units, which are held by certain members of the Consortium and the Participating Partners, and are subject to the transactions contemplated by the Consortium Withdrawal Agreement. See "Withdrawal Agreements";

(xxi) "BTGI general partnership interest" are to the general partnership interest of BTGI, which is held by BTG Pactual Participations;

(xxii) "BTGI limited partnership interests" are, collectively, to the BTGI Class A partnership interests, the BTGI Class B partnership interests, BTGI Class C partnership interests and BTGI Class D partnership interests;

(xxiii) "BTG Pactual Holding" are to BTG Pactual Holding S.A., a corporation *(sociedade anônima*), organized under the laws of Brazil, which (A) directly owns approximately 82.7% of the Banco common shares and approximately 63.6% of the Banco preferred shares issued and outstanding and directly owns all of the capital stock of Banco BTG Pactual that is part of the Partnership Equity, (B) indirectly owns, through its ownership of units, approximately 1.5% of the BTGI limited partnership interests, (C) is owned by the Partners, and (D) is controlled by André Santos Esteves, the controlling shareholder of Banco BTG Pactual;

(xxiv) "BTG Pactual Participations" are to BTG Pactual Participations Ltd, a limited liability exempted company incorporated under the laws of Bermuda, which (A) is the general partner of BTGI, (B) owns all of the capital stock of BTG Bermuda Holdco and (C) is the indirect holding company of all of the BTGI Class C partnership interests, including those indirectly purchased by Unit holders in our initial public offering, subsequent purchasers of units and members of the Consortium, which collectively represent, as of the date of this Prospectus, approximately 21.9% of the outstanding BTGI limited partnership interests;

(xxv) "BTG Partnerco" are to BTG Pactual Partnerco Ltd, an exempted company incorporated under the laws of Bermuda, which is owned by the Top Seven Partners and has a minority interest in BTG GP;

(xxvi) "European Units" are to global depositary Units representing (A) three GDSs (of which one represents one Banco common share and two represent one Banco Series A preferred share each), (B) one BPP Class A share and (C) two BPP Class B shares. The European Units include those described in this Prospectus and any European Units to be issued in the future, whether due to new equity issuances by us or as a result of the conversion or exchange of Brazilian Units or any other equity securities of Banco BTG Pactual or BTGI owned by the members of the Consortium, the Participating Partners or our Partners, among others. See "Description of Units, BDRs and GDSs." Each of the European Units described herein represent (A) three GDSs (of which (a) one represents one Banco common share and (b) two represent two Banco Series A preferred shares, (B) one BPP Class A share and (C) two BPP Class B shares;

(xxvii) "GDSs" are to Global Depositary Shares, each of which represents either one Banco common share or one Banco Series A preferred share;

(xxviii) "members of the Consortium" are to the consortium of international investors who (A) invested in our equity in December 2010 and include Pacific Mezz Investco S.A.R.L (Pacific Mezz), an affiliate of Government of Singapore Investment Corporation Pte Ltd, China Investment Corporation (CIC) (through Beryl County LLP), Ontario Teachers' Pension Plan Board (OTPP) (directly and through Classroom Investments Inc.), Abu Dhabi Investment Council (ADIC) (through Hanover Investments (Luxembourg) S.A.), J.C. Flowers & Co. LLC (through Europa Lux III S.a.r.l.), RIT Capital Partners plc, Marais LLC, the Santo Domingo Group of Colombia (through Sierra Nevada Investments LLC), EXOR S.A., the investment company controlled by the Agnelli family of Italy, and Inversiones Bahía (through Rendefeld, S.A.), the holding company of the Motta family of Panama, and (B) directly or indirectly hold Banco common shares, Banco Series A preferred shares, BPP Class A shares, BBP Class B shares, BPP Class D shares and BTGI Class D partnership interests which, as of the date of this Prospectus, collectively represents, directly or indirectly, approximately 8.0% of the outstanding economic interests in BTGI and Banco BTG Pactual;

(xxix) "Participating Partners" are to the Partners that purchased Banco common shares, Banco Series A preferred shares, BTGI Class D partnership interests and BPP Class D shares at the same time, on the same terms and as part of the same transaction, as the members of the Consortium, which as of the date of this Prospectus, collectively represents approximately 2.3% of the outstanding economic interests of BTGI and Banco BTG Pactual;

(xxx) "Partners" are to the individuals who, collectively (together with their family members, trusts or other entities established for their benefit or the benefit of their family members) directly or indirectly (including through entities wholly-owned or controlled by Partners) currently hold equity securities in Banco BTG Pactual BTG Pactual Participations and BTGI, which, as of the date of this Prospectus, collectively represents approximately 76.4% of the outstanding economic interests in BTGI and Banco BTG Pactual (which includes approximately 2.3% of outstanding economic interests in BTGI and Banco BTG Pactual that was purchased by the Participating Partners at the same time and on the same terms as the members of the Consortium, approximately 71.9% that is Partnership Equity and approximately 2.2% that was purchased by Partners or entities wholly-owned or controlled by Partners in our initial public offering (or thereafter in open market purchases) but excludes the ownership interests of the former partners of Celfin and Bolsa y Renta), together with any individuals that in the future, directly or indirectly, hold equity interests in BTGI and Banco BTG Pactual, and who are employees (or act in a similar capacity) of one or more entities within BTG Pactual;

(xxxi) "Partnership Equity" are to the equity securities in BTG Pactual Holding and to the BTGI Class A partnership interests and BTGI Class B partnership interests currently held directly or indirectly by the Partners which excludes any equity securities which were purchased by the Participating Partners on the same terms as the members of the Consortium and any Units acquired in our initial public offering (or thereafter in open market purchases);

(xxxii) "Senior Management Team" are to are to the following individuals: André Santos Esteves, Marcelo Kalim, Roberto Balls Sallouti, Persio Arida, John Huw Gwili Jenkins, Antonio Carlos Canto Porto Filho, Rogério Pessoa Cavalcanti de Albuquerque, Jonathan David Bisgaier, Emmanuel Rose Hermann, Eduardo Henrique de Mello Motta Loyo, James Marcos de Oliveira, Guilherme da Costa Paes, Renato Monteiro dos Santos, André Fernandes, João Marcello Dantas Leite, Carlos Daniel Rizzo da Fonseca, José Octavio Mendes Vita and José Zitelmann;

(xxxiii) "Top Seven Partners" are to the Partners (other than André Santos Esteves) that have the seven largest equity stakes in Banco BTG Pactual and BTGI. As of the date of this Prospectus, the Top Seven Partners are Marcelo Kalim, Roberto Balls Sallouti, Persio Arida, Antonio Carlos Canto Porto Filho, Emmanuel Rose Hermann, James Marcos de Oliveira and Renato Monteiro dos Santos;

(xxxiv) "Units" are to the Brazilian Units and the European Units, collectively; and

(xxxv) "we," "our," "us," the "BTG Pactual Group" and "BTG Pactual" are to Banco BTG Pactual, BTGI, BTG Pactual Participations and their respective subsidiaries, collectively, except when these references relate to financial information included elsewhere in this Prospectus, in which case such references are to Banco BTG Pactual and BTGI and their respective subsidiaries, collectively, excluding BTG Pactual Participations.

ANNEX A: DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

There are certain differences between Accounting Practices Adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS (which incorporates all existing International Financial Reporting Standards, IAS, as well as IFRIC and SIC interpretations) which may be relevant to the financial information presented herein. This section makes no attempt to identify or quantify the impact of these differences, nor can we give you any assurances that all differences have been identified. The following is a summary of certain of those differences; however, this summary does not purport to be complete and should not be construed as exhaustive.

In reading this summary, prospective investors in the Notes should also have regard to the considerations:

- This summary includes differences between accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS as of December 31, 2012. Differences resulting from changes in accounting standards or from transaction or events that had occurred prior to December 31, 2012 have not been taken into account in this summary.
- Differences among accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any future events, ongoing work and decisions of the regulatory bodies that promulgate accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS that could affect future comparisons among accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS. The current differences disclosed in this summary are not intended to be complete and are subject to, and qualified in their entirety by, reference to the respective pronouncements of Brazilian professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.
- As differences among accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS may be significant to the financial position or results of operations of the Bank prospective investors unfamiliar with accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank should consult their own professional advisors for an understanding of the differences among accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank and IFRS and how those differences might impact the financial information presented herein.
- Unlike IFRS, under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank there are no specific principles relating to certain matters such as business combinations and financial instruments.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

Foreign Currency Translation

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, the financial statements of subsidiaries operating in non highly inflationary currency environments are translated using the current exchange rate. Financial statements presented in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement.

ANNEX A: DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

Under IFRS, when translating financial statements into a different presentation currency (for example, for consolidation purposes), IFRS requires the assets and liabilities to be translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period if the exchange rates do not fluctuate significantly. Any translation differences are reported in equity (other comprehensive income).

Consolidation and Proportional Consolidation

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, financial statements should consolidate the following entities: (a) entities on which the company has voting rights that provides it with the ability to have the majority on the social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by shareholders agreements irrespective of the participation in voting stock. Joint ventures, including investees in which the company exerts significant influence through its participation in a shareholders agreement in which such group controls the investee, could be accounted for under the proportional consolidation method.

Under IFRS, the condition for consolidation is to have control. The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is generally presumed to exist when the Parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity, and potential voting rights must be considered. Notion of "de facto control" also may be considered. The standard also requires the effects of all transactions that result in decreases in ownership interest in a subsidiary without a loss of control are accounted for as equity transactions in the consolidated entity (that is, no gain or loss is recognized). For transactions that result in a loss of control of a subsidiary or a group of assets, any retained non-controlling investment in the former subsidiary or group of assets is re-measured to fair value on the date control is lost, with the gain or loss included in income along with any gain or loss on the ownership interest sold. When preparing consolidated financial statements, an entity must use uniform accounting policies for reporting like transactions and other events in similar circumstances.

Under IFRS, joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activities require unanimous consent of the members of the joint venture. IAS 31 permits either the proportionate consolidation method or the equity method of accounting for interests in jointly controlled entities. The fair value option is not available to investors (other than venture capital organizations, mutual funds, unit trusts, and similar entities) to account for their investments in jointly controlled entities.

Specific guidance (SIC-12) under IFRS sets forth guidance with respect to the consolidation of special purpose entities, or SPE. A SPE may be created to accomplish a narrow and well-defined objective. SPEs may take the form of a corporation, trust, partnership or unincorporated entity and are often created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management.

The sponsor frequently transfers assets to the SPE, obtains rights to use assets held by the SPE or performs services for the SPE, while other parties may provide funding. An entity that engages in transactions with the SPE (frequently creator or sponsor) may in substance control the SPE. SPEs shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

Changes in Percentages of Investment in associates and jointly controlled entities

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, changes in the proportional ownership interest in the capital of subsidiaries, jointly controlled entities or associates are recognized as non-operating expense or gains. Under IFRS, these changes are recorded in share of profits in associates and jointly controlled entities.

ANNEX A: DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

Business Combinations, Purchase Accounting and Goodwill

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under IFRS 3 (Revised), Business Combinations requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method – the acquisition method.

Under IFRS 3 (Revised), the acquiring company records identifiable assets and liabilities acquired at their fair values. The shares issued in exchange for shares of other companies are accounted for at fair value based on the market price. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed.

In addition, IFRS 3 (Revised) sets out more detailed guidelines as to the recognition of "intangible assets." Under IFRS 3 and IAS 38, "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indefinite lives are no longer amortized. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under IFRS 3 (Revised) negative goodwill will be recognized as a gain in the statement of operations. Finite lived intangible assets are generally amortized on a straight line basis over the estimated period benefited. The client deposit and relationship portfolios intangible asset is recorded and amortized over a period in which the asset is expected to contribute directly or indirectly to the future cash flows.

Transfer of Financial Assets

Until December 31, 2011, no specific accounting pronouncement addressed the recording of transfers of financial assets pursuant to Brazilian GAAP, except for when such a transfer involved a special purpose entity that is in substance controlled by the reporting entity. In addition, the sale or transfer of financial assets was derecognized from the balance sheet when the transferor retained all or substantially all of the risks and benefits relating to the ownership of such transferred asset. Commencing on January 1, 2012, 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.

Under IFRS, financial assets can be derecognized in full or partially but only when the necessary conditions are met. Derecognition conditions depend on the following factors:

- the rights to the asset’s cash flows and substantially all risks and rewards of ownership are transferred;
- an obligation to transfer the asset’s cash flows is assumed;
- substantially all risks and rewards are transferred and the following conditions are met:
  - (i) no obligation to pay cash flows unless equivalent cash flows from the transferred asset collected;
  - (ii) the obligation to pass through cash flows; and

(iii) obligation to remit any cash flows without material delay; or

- substantially all the risks and rewards are neither transferred nor retained but control of the asset is transferred.

Accounting for Guarantees by a Guarantor

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under IFRS, certain financial guarantees may be accounted for as insurance contracts if certain conditions are met. Otherwise, the guidance in IAS 39 applies: (i) record guarantee contracts at fair value upon initial recognition and (ii) subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognized less cumulative amortization, when appropriate, under IAS 18.

Marketable Securities

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, marketable securities are classified based on the investment strategy of the financial institution as either trading securities, available for sale or held to maturity and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities is directly in shareholders' equity. The rules to account for securities are stated more generally and are less comprehensive than the standards to account for securities under IFRS.

Under IFRS, financial assets including debt and equity securities can be categorized and accounted for as follows:

- financial assets at fair value through profit or loss including both financial assets held for trading and any financial assets designated within this category at their inception;
- held to maturity investments held with a positive intent and ability to be held to maturity and are recorded at amortized cost. Equity securities cannot be classified as held to maturity investments;
- loans and receivables that correspond to financial assets with fixed or determinable payments not quoted in an active market and are measured at amortized costs; and
- available for sale financial assets including debt and equity securities designated as available for sale, except those equity securities classified as held for trading and those not covered in the above categories which are measured at fair value. Changes in fair value are recognized in equity and recognized in the statement of income when realized.

Comprehensive Income

Accounting Practices Adopted in Brazil do not have the concept of comprehensive income. Also, as under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, statutory reserves are required to appropriate 5% of the annual local currency earnings, after absorbing accumulated losses, to a legal reserve, which is restricted as to distribution. The reserve may be used to increase capital or absorb losses, but may not be distributed as dividends. Any income remaining after the distribution of dividends on the statutory records and appropriations to statutory reserves is transferred to the reserve for future investments. Such reserve may be distributed in the form of dividends upon approval of the shareholders. There are no similar provisions for IFRS.

Under IFRS, a statement of recognized income and expenses can be presented including net income as well as other items of income and expense recognized directly in equity such as: (i) fair value gains (losses) on lands and buildings, intangible assets, available for sale investments and certain financial instruments, (ii) foreign exchange translation differences, (iii) the cumulative effect of a change in accounting policy, and (iv) change in fair value on certain financial instruments if designated as cash flow hedges.

Financial Derivative Instruments

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, for periods from June 30, 2002, the accounting principles prescribed by the Brazilian Corporate Law specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions. According to the accounting principles established by the Central Bank, derivative financial instruments are classified based on management's intention to use them for hedging or non-hedging purposes.

Transactions involving derivative financial instruments to meet customer needs or for own purposes that did not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the overall exposures are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- Fair value hedge. The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and
- Cash flow hedge. The effective hedge portion of the derivatives is accounted for at fair value and unrealized gains and losses recorded as a separate component of shareholders' equity, net of applicable taxes. The non-effective hedge portion is recognized currently in earnings.

IAS 39 "Financial Instruments: Recognition and Measurement" requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.

Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either: (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income; or (ii) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank providing certain formalities are complied with. The revaluation increment, normally net of deferred tax effects, is credited to a reserve account in shareholders' equity. As from July 1, 1995 companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December

31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized, on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income and an offsetting portion is relieved from the revaluation reserve in shareholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under IFRS, companies may use either the historical cost or carry their property, plant and equipment ("PP&E") at revalued amounts (based on fair value) as the accounting basis. When the revaluation model is selected, revaluations should be made with sufficient regularity. If an item of PP&E is revalued, the entire class of PP&E to which the asset belongs is required to be revalued. All revalued assets, including land, are subject, at the effective income tax rate from the sale of the asset, to deferred income tax. Gains and losses from the sale or disposal of assets are recorded as operating expenses.

Loan Accounting and Disclosure

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, loans are generally carried at cost. Up to March 31, 2000 when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time overdue. As from March 31, 2000, loans should be categorized in 9 categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by CMN Resolution No. 2,682 of December 21, 1999, as amended, which requires periodic analysis of the portfolio and its classification, by risk level, in 9 categories between AA (minimum risk) and H (maximum risk – loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independently of their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for nine months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At a minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for loan losses and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged off are recognized as revenue on a cash basis.

Under IFRS, according to IAS 39 "Financial Instruments: Recognition and Measurement," loans and receivables are defined as financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

ANNEX A: DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

Income Taxes

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, the methods adopted for the recording of income taxes are similar to IFRS but their practical application may lead to different results in certain circumstances. The recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is evidence of future realization in a continuous operation, potential effects of Provisional Measures enacted by the Brazilian Government are evaluated and the effects of increases in enacted tax rates on deferred taxes may not be integrally recognized if the related legislation is being questioned. On December 30, 2002, the Central Bank issued Circular No. 3,171, as amended, which revoked Circular No. 2,746, that: (i) requires specific supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realized in more than 5 years as from the reporting date. On March 31, 2006, Resolution No. 3,355 changed the period from 5 to 10 years for the realization of such tax credit.

Under IFRS, the liability method is used to calculate the income tax provision, as specified in IAS 12, "Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted or substantially enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses are recognized as assets. The deferred tax asset shall be recognized to the extent that it is probable that future taxable profit will realize such deferred tax asset.

Dividends and Interest Attributable to Shareholders' Equity

Subject to certain limitations, accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank permits companies to distribute or capitalize an amount of interest on equity based on the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders' equity. By the end of the year, management is required to propose payment of dividends in those years which realize a profit, unless such profit has been absorbed by any accumulated losses. The entire proposed amount is accounted for as a liability at the balance sheet date.

Under IFRS, both the minimum dividends required by law and/or included in the entity's by-laws meet the definition of present obligation and, therefore, should be accounted for at the end of the year.

Cash and Cash Equivalent

Under accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank, cash equivalents are defined in broader terms than in the context of IFRS, with no limitation of 90 days/three months original maturity. Cash equivalents in Brazil are usually readily available funds which involves cash and overnight applications and may include long term securities which can be negotiated in the secondary market.

Under IFRS, cash equivalents are defined as short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Generally, only investments with original maturities of three months or less qualify under that definition held for the purposes of meeting short term cash commitments rather than for investment or other purposes.

INDEX TO THE FINANCIAL STATEMENTS

Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

December 31, 2012
with independent auditors' report on financial statement

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2012

Contents

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A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with IFRS and in Reais

Independent auditors' report

To the Board of Directors and Shareholders of
Banco BTG Pactual S.A.
São Paulo - SP

We have audited the accompanying consolidated financial statements of Banco BTG Pactual S.A., which comprise the consolidated statement of financial position as at December 31, 2012 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows statements for the year then ended, and a summary of significant accounting policies and other explanatory notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. as of December 31, 2012 and of its consolidated financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board – IASB.

Emphasis

As of December 31, 2012, jointly controlled subsidiary Banco Panamericano S.A. has income and social contribution deferred tax assets amounting to R$ 3,014 million, recognized substantially on the basis of financial projections and business plan reviewed on December 31, 2012 and approved by its Board of Directors. The realization of these tax credits depends on delivery of these projections and business plan as approved by the management bodies of Banco Panamericano S.A.

Other matters

We also have audited the Bank's consolidated statement of value added (SVA), for the year ended December 31, 2012, prepared under the responsibility of Bank's management, the presentation of which is required by Brazilian Corporate Law for publicly-held companies, and as supplementary information under IFRS, which does not require the presentation of SVA. This statement have been subject to the same audit procedures previously described, and in our opinion, is fairly presented, in all material respects, in relation to the overall financial statements.

São Paulo, February 19, 2013

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6

Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31
(In thousands of reais)

	Note	2012	2011
Assets			
Cash and balances at Central Bank	7	1,024,443	1,391,359
Financial assets at fair value through profit or loss			
Financial assets held for trading	8	62,592,746	36,291,846
Financial assets designated at fair value through profit and loss	8	6,324,143	7,728,606
Derivative financial instruments	8	9,993,947	3,271,943
Loans and receivables			
Open market investments	10	15,726,936	10,895,830
Amounts receivable from banks	11	1,917,837	958,600
Other loans and receivables	12	10,324,466	8,278,513
Held-to-maturity financial assets	13	4,100,418	3,788,487
Deferred tax assets	22	1,550,104	1,387,903
Other assets	15	6,998,683	6,900,907
Investment in associates and jointly controlled entities	16	2,561,131	733,339
Property, plant and equipment		95,694	58,403
Intangible assets	18	1,215,186	706,323
Total assets		**124,425,734**	**82,392,059**
Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	8	11,637,530	13,215,357
Derivative financial instruments	8	10,149,268	3,178,170
Financial liabilities carried at amortized cost			
Open market funding	10	49,064,902	29,949,155
Amounts payable to banks	11	627,077	576,405
Other financial liabilities carried at amortized cost	14	30,993,318	22,850,785
Tax liabilities	19	1,535,206	759,940
Other liabilities	20	9,975,664	5,316,762
Total liabilities		**113,982,965**	**75,846,574**
Shareholders' equity			
Capital stock	23	6,462,076	3,242,500
Income reserves		3,704,003	3,034,908
Foreign currency translation reserve		188,622	55,870
Total shareholders' equity of controlling shareholders		10,354,701	6,333,278
Non-controlling interest		88,068	212,207
Total shareholders' equity		**10,442,769**	**6,545,485**
Total liabilities		**124,425,734**	**82,392,059**

The accompanying notes are an integral part of the financial statements

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Years ended December 31
(In thousands of reais)

	Note	2012	2011
Interest income	25	3,870,514	3,112,533
Interest expense	25	(4,446,244)	(3,965,981)
Net interest income		(575,730)	(853,448)
Net gains on financial instruments	25	4,081,060	1,906,003
Net exchange variations		116,242	249,323
Fees and commissions	26	2,108,846	1,087,115
Share of profit in associates and jointly controlled entities	16	282,736	85,466
Other operating income/(expenses)	27	(121,934)	61,178
Net revenues		5,891,220	2,535,637
Administrative expenses	28	(636,553)	(355,462)
Personnel expenses	29	(1,542,155)	(740,241)
Provisions for credit losses	12	(468,297)	(30,022)
Tax charges (other then income tax)		(283,298)	(290,545)
Income before taxes and profit sharing		2,960,917	1,119,367
Income tax and social contribution	22	(806,791)	220,197
Net income for the year		2,154,126	1,339,564
Net income attributable to controlling shareholders		2,132,990	1,334,604
Net income attributable to non-controlling interests		21,136	4,960
Earnings per share –basic and diluted – In Reais	24		
Common shares		0.84	0.56
Preferred shares		0.84	0.56

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of comprehensive income

Years ended December 31
(In thousands of reais)

	2012	2011
Net income for the year	2,154,126	1,339,564
Other recognized income (expenses)		
Exchange differences on translation of foreign operations	132,752	200,842
Total comprehensive income for the year	2,286,878	1,540,406
Attributable to controlling shareholders	2,265,742	1,535,446
Attributable to non-controlling interests	21,136	4,960

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders equity

Years ended December 31

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

					Income reserves								
	Note	Capital	Increase in capital	Additional paid-in capital	Legal	Unrealized	Statutory	Total	Other comprehensive income	Retained earnings (Losses)	Total shareholders' equity	Non-controlling interest	Total
Balances at December 31, 2010		2,971,350	-	-	150,775	470,339	2,090,190	2,711,304	(144,972)	-	5,537,682	-	5,537,682
Dividends paid (R$ 0.14 per share)	23	-	-	-	-	-	(557,000)	(557,000)	-	-	(557,000)	-	(557,000)
Capital Increase	23	-	271,150	-	-	-	-	-	-	-	271,150	-	271,150
Transfer to retained earnings		-	-	-	-	(56,492)	-	(56,492)	-	56,492	-	-	-
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	200,842	-	200,842	-	200,842
Net income for the year		-	-	-	-	-	-	-	-	1,334,604	1,334,604	4,960	1,339,564
Net income allocations													
Legal reserve		-	-	-	74,061	-	-	74,061	-	(74,061)	-	-	-
Statutory reserve		-	-	-	-	-	863,035	863,035	-	(863,035)	-	-	-
Interest on equity (R$ 0.13 per share)	23	-	-	-	-	-	-	-	-	(319,000)	(319,000)	-	(319,000)
Addition of non-controlliing due to business combination		-	-	-	-	-	-	-	-	-	-	207,247	207,247
Dividends paid (R$ 0.06 per share)	23	-	-	-	-	-	-	-	-	(135,000)	(135,000)	-	(135,000)
Balances at December 31, 2011		**2,971,350**	**271,150**	**-**	**224,836**	**413,847**	**2,396,225**	**3,034,908**	**55,870**	**-**	**6,333,278**	**212,207**	**6,545,485**
Approval of capital increase	23	3,383,025	(271,150)	-	-	-	(650,000)	(650,000)	-	-	2,461,875	-	2,461,875
Capital Increase	23	-	52,488	-	-	-	-	-	-	-	52,488	-	52,488
IPO Costs	23	(51,529)	-	-	-	-	-	-	-	-	(51,529)	-	(51,529)
Additional paid-in capital	5	-	-	106,742	-	-	-	-	-	-	106,742	-	106,742
Exchange differences on translation of foreign operations and non-monetary items		-	-	-	-	-	-	-	132,752	-	132,752	-	132,752
Intermediate interest on equity (R$ 0.09 per share)	23	-	-	-	-	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Intermediate dividends paid (R$ 0.07 per share)	23	-	-	-	-	-	-	-	-	(181,610)	(181,610)	-	(181,610)
Net income for the year		-	-	-	-	-	-	-	-	2,132,990	2,132,990	21,136	2,154,126
Net income allocations													
Legal reserve		-	-	-	101,203	877,503	340,389	1,319,095	-	(1,319,095)	-	-	-
Interest on equity (R$ 0.09 per share)	23	-	-	-	-	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Dividends paid (R$ 0.07 per share)	23	-	-	-	-	-	-	-	-	(192,285)	(192,285)	-	(192,285)
Reduction of non-controlliing		-	-	-	-	-	-	-	-	-	-	(145,275)	(145,275)
Balances at December 31, 2012		**6,302,846**	**52,488**	**106,742**	**326,039**	**1,291,350**	**2,086,614**	**3,704,003**	**188,622**	**-**	**10,354,701**	**88,068**	**10,442,769**

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows
Years ended December 31
(In thousands of reais)

	2012	2011
Operating activities		
Net income for the period	2,154,126	1,339,564
Adjusts to net income	(313,352)	(479,692)
Equity in the (earnings)/losses of associates	(282,736)	(85,466)
Non-controlling interest	(21,136)	(4,960)
Deferred tax	(85,711)	(409,337)
Goodwill impairment	46,927	-
Depreciation and amortization	29,304	20,071
Adjusted net income for the period	1,840,774	859,872
Increase/decrease in operational assets and liabilities		
Balances at central bank	401,551	(774,345)
Financial Assets held for trading	(26,463,835)	(2,456,609)
Financial assets designated at fair value through profit and loss	1,404,463	(1,149,161)
Derivative financial instruments - assets	(6,503,644)	229,363
Open market investments	(1,077,816)	1,650,862
Amounts receivable from / (payable to) banks	265,665	200,903
Other loans and receivables	(2,155,175)	(4,131,584)
Held-to-maturity financial assets	(311,931)	(3,788,487)
Other assets	(366,954)	(3,948,344)
Financial liabilities held for trading	(1,577,827)	(5,837,735)
Derivative financial instruments - liabities	6,774,491	(349,562)
Open market funding	19,097,277	(829,208)
Tax liabilities	698,632	174,606
Other liabilities	3,588,756	3,436,378
Cash provided by operating activities	(4,385,573)	(16,713,051)
Investing activities		
Aquisition of investments	(50,804)	(12,709)
Sale of investments	240,007	-
Dividends received	27,436	-
Acquisition of property and equipment in use	(109,953)	(198,886)
Sale of property and equipment in use	9,183	34,063
Acquisition of intangible assets	(18,742)	(78,108)
Business combination, net of cash acquired	(654,923)	(101,124)
Cash (used in) investing activities	(557,796)	(356,764)
Financing activities		
Other liabilities	8,287,778	11,371,712
Capital increase due to share issuance	2,018,471	271,150
Non-controlling interest	(2,926)	-
Dividends distributed	(181,610)	(692,000)
Interest on equity distributed	(220,000)	(319,000)
Cash provided by financing activities	9,901,713	10,631,862
Increase in cash and cash equivalents	4,958,344	(6,437,953)
Balance of cash and cash equivalents		
At the beginning of the period	12,487,417	18,925,370
At the end of the period	17,445,761	12,487,417
Increase in cash and cash equivalents	4,958,344	(6,437,953)
Noncash transactions	2,909,598	-
Capital contribution - Banco Panamericano S.A.	495,477	-
Incorporation - One Properties S.A. by BR Properties S.A.	1,450,731	-
Interest on equity	220,000	-
Dividends	192,285	-
Adittional paid-in capital and issuance of shares on business combination	551,105	-

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

1. Operations

Banco BTG Pactual S.A. (Bank) is a publicly traded corporation, organized and existing under the laws of Brazil. The Bank headquarters is located on Av. Brigadeiro Faria Lima, 3477, São Paulo city, Brazil.

Tha Bank is directly controlled by BTG Pactual Holding S.A., a corporation organized accourding to the laws of Brazil, which holds the majority of common shares of the Bank.

The Bank is incorporated as a multiple bank, operating jointly with its subsidiaries (the Group), offering financial products and services relating to commercial, including exchange, and investment portfolios, credit, financing and investment, leasing and real estate loans.

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

On April 30, 2012, BTG Pactual Group completed its primary public offering (IPO), issuing 82,800,000 units at a price of R$ 31.25 (thirty-one reais and twenty five cents) per unit. In that transaction, the Bank issued 248,400,000 shares, representing a capital increase by R$ 2,070 million and generating cash net of costs of commissions, fees and taxes of R$ 2,018 million.

The consolidated financial statements were approved by the Management in February 19, 2013.

2. Corporate reorganization

Corporate reorganization

On December 31, 2012, BTG Pactual Gestora de Recursos Ltda ("BTG Pactual Gestora"), subsidiary of BTG Pactual Asset Management S.A. DTVM, merged Brazilian Capital with the objective to simplify the corporate structure and consequently reduce financial and operational costs.

On December 20, 2012, the subsidiary BTG Pactual SEG Holding S.A. received authorization from SUSEP to offer insurance products in Brazil.

On March 29, 2012, Saíra Diamante Empreendimentos Imobiliários S.A. ("Saíra"), Wtorre Empreendimentos Imobiliários S.A. ("Wtorre") and BR Properties S.A. ("BR Properties") approved the operation involving successive mergers of Saíra and its jointly-controlled investee with Wtorre, One Properties S.A., into BR Properties. After the closing of the transaction the Bank held 28% of interest on BR Properties equity and accounts for this investment by the equity method (see note 16).

On December 31, 2011, as part of the BTG Group's restructuring process, the Bank proceeded with the merger with the investor holding company Copacabana Prince Participações S.A. As a result of such transaction, R$ 481,369 were accounted relating to the tax benefit relating to goodwill previously recognized by Copacabana Prince.

On December 14, 2011 the merger of BTG Pactual Participações II S.A. by the Bank was approved, without resulting in a capital increase of the Bank.

On July 27, 2011, the Central Bank of Brazil (Banco Central do Brasil, Bacen) approved the indirect acquisition by the Bank of the shares representing the total capital of (i) BTG Pactual Asset Management Corp USA, established in New York, USA; (ii) BTG Pactual Asia Ltd, domiciled in Hong Kong, China; (iii) BTG Pactual Capital Corp USA, incorporated in Delaware, USA; (iv) BTG Pactual Global Asset Management Ltd, domiciled in Bermuda; (v) BTG Pactual Carry LP, domiciled in George Town, Ilhas Cayman, (vi) and of 99.3% of shares representing the capital BTG Pactual Europe LLP, domiciled in London, UK. These transactions were approved in the Ordinary General Shareholders Meeting held on August 31, 2011, Previously, the controlling company of such companies was BTG Investments LP. As they are companies belonging to the same economic group, no gain or loss was recorded in these transactions.

On June 15, 2011, the subsidiary of BTG Pactual Banking Limited, located in the Cayman Islands, was transformed into the Bank's branch.

Acquisitions

On December 20, 2012 the Bank concluded the purchase of all of the outstanding shares of Bolsa y Renta for a total consideration of US$ 58.4 million (approximately R$ 120.5 million). The former owners of Bolsa y Renta acquired equity interest in Banco BTG Pactual for U$ 25.4 million (R$ 52.5 million) representing approximately 0.25% of the capital stock. For accounting purposes, the acquisition date of Bolsa y Renta was December 31, 2012.

On February 8, 2012, the Bank announced an agreement for the acquisition of 100% of the outstanding shares of Celfin Capital (Celfin), operating in Chile, Peru and Colombia. On November 13, 2012 the Bank paid to the owners of Celfin US$ 451 million (approximately R$ 930 million) in cash, of which US$ 190 million (approximately R$ 392 million) were used to purchase shareholding interest of the Bank by Celfin's shareholders, representing 2.2% of the capital.

On January 31, 2012, the Bank and Banco Panamericano entered into a definitive agreement to purchase 100% of the shares of Brazilian Finance & Real Estate S.A. (BFRE), for approximately R$ 1.2 billion, of which R$ 940 million was paid by Banco Panamericano and R$ 270 million was paid by the Bank. Prior to the closing of the transaction on July 19, 2012, BFRE was divided into two companies by means of a spin-off. The company acquired by the Bank, the Brazilian Capital Companhia de Gestão de Investimentos, retained the rights to advise, manage and/or administer certain real estate and equity investment funds. In this transaction the Bank recorded goodwill of R$ 248 million. Additionally, the Bank acquired quotes of Real State Funds owned by BFRE, in the amount of R$ 335 million.

On November 22, 2011, an agreement between the Bank and WTorre Properties S.A. ("WTorre") was concluded. Following this agreement, the Bank now holds, indirectly through its subsidiary Saíra Diamante S.A., a 49.99% interest in One Properties S.A. (previously referred to as WTorre). In this transaction, Saíra contributed R$ 627,452 in assets, originally held by the Bank, to the joint venture at market value.

On September 2011, the full subsidiary, Coomex proceeded with the reverse merger with its controlled company BTG Pactual Agente Comercializador de Energia Ltda. As a result, the Group recorded a tax benefit of R$ 54,813.

On June 17, 2011, Banco BTG Pactual S.A. presented to the Brazilian Securities Commission (Comissão de Valores Mobiliários, CVM), a request for registration of the tender offer of preferred shares issued by Panamericano to the remaining shareholders, for the same price paid for the share to the previous controlling shareholder. As the necessary minimum number of participants did not enroll in the tender offer program, it was terminated.

On May 27, 2011, the Bank acquired all shares of Silvio Santos Group in Banco Panamericano S.A. (Panamericano), representing 37.64% of the retail institution, resulting from an interest of 51% in ordinary shares and 21.97% in preferred shares, Upon conclusion of this transaction and the corresponding BACEN approval, the Bank and the Caixa Econômica Federal (CEF), now have joint control over Panamericano, as defined by shareholders agreement.

3. Presentation of the financial statements

a. Basis for preparation

The Bank's consolidated financial statements were prepared in accordance with International Accounting Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were prepared based on historical cost, excluding (i) financial instruments held for trading, (ii) derivative financial instruments, (iii) financial instruments available for sale, and (iii) financial instruments allocated at the fair value through profit and losss, which were all measured at the fair value.

b. Judgments and significant accounting estimates

In the process of preparing the Bank's consolidated financial statements. Management exercised judgment and used estimates to calculate certain amounts recognized in the financial statements. The more material application of the exercise of judgment and use of estimates occurs in:

<u>Going concern</u>

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.

<u>Fair value of the financial instruments</u>

When the fair value of financial assets and liabilities accounted in the balance sheet may not be derived from an active market, it is determined by using several valuation methodologies that include the use of mathematic models. The inputs of these models are derived from observable data of the market whenever possible, but, when market data are not available, judgment is required to establish the fair value. The judgments include liquidity considerations and variable models such as volatility of long-term derivatives and discount rates, prepayment fees and assumptions on default of bonds containing assets as guarantee.

<u>Impairment losses regarding loans and receivables</u>

The Bank and its subsidiaries review individually significant loans and receivables on each balance sheet date to evaluate if impairment losses must be recorded in the income statement. Management's judgement is required to estimate the value and timing of cash flows in order to determine impairment losses. To estimate these cash flows, the Bank and its subsidiaries make judgments with respect to client's financial condition and the realizable value net of any guarantee. These estimates are based on assumptions involving several factors and, for this reason, the actual results may vary, creating future changes in the provision.

Impairment of financial assets available for sale and held to maturity.

The Bank and its subsidiaries review any debt instruments classified as investments available for sale or held to maturity at each financial statement date to evaluate any impairment. This requires judgments similar to the individual evaluation of loans and receivables.

The Bank and its subsidiaries also record impairment in any investments classified as available for sale or held to maturity for which there was a significant or prolonged write-off of the fair value, below its cost. The determination of what is deemed "significant" or "prolonged" requires judgment. To reach this judgment, the Bank evaluates, among others factors, the historical variation of share price, as well as the duration and extent ito which the investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

c. Revised IFRS pronouncements

The accounting polices adopted are consistent with those of the previous year, except for the following amendment to IFRS effective as of January 1, 2012:

• IFRS 7 Financial Instruments: Disclosures

This amendment requires additional disclosures about financial assets that were transferred but not derecognized in order to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement with the derecognized financial assets to enable the user to evaluate the nature of the entity's continuous involvement with the derecognized assets disposed of, as well as the associated risks. The amendment in question affects only disclosures.

We list below the standards issued that not yet effective:

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on the replacing IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be concluded at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Bank, but will not bring potential impacts on the classification and measurement of financial liabilities. The Bank will quantify the effect of this amendment in conjunction with other phases.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Bank's management assessed the revision of the standard and found no impact on the financial statements.

The IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require management to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Arrangements

The IFRS 11 provides a different approach for Joint Arrangements focused on the righs and obligations rather than on the legal form, and divides into Joint Operations and Joint Ventures. For Joint Ventures, proportionate consolidation is not allowed anymore. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IFRS 12 – Disclosures of Interests in Other Entities

The IFRS12 requires new disclosures about all types of investments in other entities. This amendment shall become effective for annual periods beginning on or after January 1, 2013. The amendment in question affects only disclosures.

• IFRS 13 - Fair Value Measurement

The objective of IFRS 13 is to align IFRS to U.S. GAAP, to reduce complexity of the disclosure and focus on the measurement of fair value. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 28 – Investments in associates and joint ventures (revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 – Investments in Associates has been renamed IAS 28 – Investments in associates and joint ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 32 Financial instruments (revised in 2012)

Under IAS 32, the rights, options and guarantees issued to acquire a fixed number of the entity's own equity instruments for a fixed price, in any currency, are classified as equity instruments. The change is applicable for years beginning January 1, 2014. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 24 – Related- Party transactions (revised in 2012)

This amendment simplifies the disclosure requirements for subsidiaries or jointly-owned subsidiaries or companies significantly influenced by governments. Additionally, this amendment clarifies the definitions of related parties. Management assessed the revised standard and concluded that it does not affect the financial statements.

We list below annual improvements in standards which will have an inpact on the Bank:

• IAS 1 – Presentation of Financial Statements

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

• IAS 32 – Financial Instruments, presentation

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 – Income taxes.

• IAS 34 – Interim Financial Reporting

Aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements.

d. Consolidated financial statements

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

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Bank, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The following table lists the principal subsidiaries of the Bank, held directly and indirectly,including investment funds consolidated in the financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31
(In thousands of reais)

	Country	Equity interest - % 2012	2011
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Mercadorias Ltda.	Brazil	99.99	99.99
BTG Pactual Securitizadora S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.99
BTG Pactual Holding International S.A.	Brazil	99.99	99.99
BTGP Recovery Holdings S.A. (i)	Brazil	-	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
Saíra Diamante Empreendimento e Participações S.A. (Nota 2)	Brazil	-	92.00
BTG Pactual Vivere Participações S.A. (v)	Brazil	-	100.00
Vivere Soluções e Serviços S.A. (v)	Brazil	30.00	-
Global Ltd.	Cayman	100.00	100.00
BW Properties S.A.	Brazil	67.49	67.49
G.U.A.S.P.E S.A (ii)	Brazil	99.99	-
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	-
BTG Pactual Chile SPA (iii)	Chile	100.00	-
Bolsa y Renta S.A. (iv)	Colombia	99.99	-
Recovery do Brasil Consultoria S.A. (i)	Brazil	50.24	-
Celfin International Ltd. (iii)	Cayman	100.00	-
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	England	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	England	100.00	100.00
Recovery do Brasil Consultoria S.A. (i)	Brazil	-	50.24
FC DAS S.A. (i)	Uruguay	-	100.00
BTG Pactual SEG Holding S.A.	Brazil	100.00	-
BTG Pactual RE Holding S.A.	Brazil	100.00	-
Celfin Capital S.A. (iii)	Chile	100.00	-
Celfin Capital S.A. Corredores de Bolsa (iii)	Chile	100.00	-
Celfin Capital Administradora de Fondos de Capital Extranjero S.A (iii)	Chile	100.00	-
Celfin Capital S.A. Administradora General de Fondos	Chile	100.00	-
Celfin Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	-
Celfin Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	-
Celfin Capital S.A. Sociedad Comissionista de Bolsa	Colombia	100.00	-
Laurel Sociedad Gestora Profissional S.A.S (iv)	Colombia	100.00	-
Investment funds			
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Port Fund SPC - CLASS C	Cayman	100.00	99.83
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I	Brazil	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I	Brazil	70.75	100.00
BTG Pactual Saúde Fundo de Investimento em Participações	Brazil	95.67	100.00
Nala Fundo de Investimento em Participações	Brazil	100.00	100.00
BTG Pactual Global Fund	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Caixa BTG Pactual Multisegmentos	Brazil	100.00	100.00
BTG Pactual Gewinnstrategie Fundo de Investimento Multimercado Crédito Privado	Brazil	100.00	100.00
Fundo de Investimento em Participações Quartzo	Brazil	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00

(i) In 2012, BTGP Recovery Holdings S.A. and FC DAS S.A. were merged by Recovery do Brasil Consultoria S.A.
(ii) Non-operational company.
(iii) Companies acquired on Celfin's transaction (Note 2).
(iv) Companies acquired on Bolsa y Renta's transaction (Note 2).
(v) In 2012, BTG Pactual Vivere Participações S.A. was merged by Vivere Soluções e Serviços S.A.

e. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais at the rate prevailing at the reporting date, while income and expense accounts were translated at the average rate of the month.

The financial statements of the companies abroad, originally stated in their functional currencies were translated into reais at the foreign exchange rates generally US dollar on the reporting dates.

The foreign exchange effects of the conversion of foreign subsidiaries is recorded in the statement of other comprehensive income, as well as hedge transactions, when applicable.

4. Signifficant accounting practices

The most significant accounting practices adopted by the Bank and by its direct and indirect controlled companies are the following:

a) Conversion of foreign currency

The consolidated financial statements are presented in Reais, which is the Controller's ("Bank") functional and reporting currency. Each of the entities consolidated in the financial statements determines its own functional currency, pursuant to the economic environment in which the entity operates.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the exchange rate of the functional currency in force on the date of the transaction. Exchange rate variations arising from the settlement of transactions or conversion of monetary assets and liabilities at the exchange rate of functional currency in force on the date of the balance sheet are recognized as gains or losses in the consolidated income statement. Exchange differences on non-monetary items are recognized as gain or loss in other comprehensive income.

(ii) Subsidiaries

On the base date of the financial statements, assets and liabilities of subsidiaries abroad are translated into real, by the exchange rate in force on the balance sheet date, and the income is converted to reais by the weighted average of exchange rates of the period. Exchange variations arising out of translation are recognized directly in other comprehensive income and recorded as a separate component of equity.

b) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement in "Net results with financial instruments".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value, interest revenue, expenses and dividends are recordeed in expenses "Net gains on financial instruments".

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

• The financial instrument has one (or more) embedded derivative(s), which significantly modifies the cash flows that would be required by the agreement.

Financial assets and liability at the fair value through profit and loss are recorded in the consolidated balance sheet at the fair value. Valuation changes in the fair value and earned or incurred interests are recorded as "Net gains onfinancial instruments", while dividend revenues are recognized as "Other operating income" when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are transferred to the income statement, under the heading "Net gains onfinancial instruments".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net gains onfinancial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognised.

(viii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Bank receivables and loans and receivables

Bank receivables and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

• Those for which the intention is to sell immediately or in the short-term and those initially designated at the fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be be substantially recovered, except for reasons of credit deterioration.

After initial measurement, bank receivables and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities carried at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

c) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when the right to receive the cash flow of the asset expired or the Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if: (i) there is substantial transfer of all risks and benefits of the asset; or (ii) there is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the bank and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the bank and its subsidiaries have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the bank and its subsidiaires.

(ii) Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

d) Open Market investments (repurchase and resale agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in “open market funding” The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

e) Securities lending and borrowings

Transactions of securities lending and borrowings are generally secured by other bonds or by cash. The transfer of the security to the counterparty is only reflected on the balance sheet if the risks and benefits of title are also transferred. Advanced cash or cash received as guarantee is registered as an asset or liability.

Securities lending transactions are not recognized on the balance sheet, except if they have been sold to third parties and, in this case, the obligation of returning the security is registered as trading financial liability with gains or losses including in the "Net results with financial instruments ".

f) Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

g) Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

<u>(i) Financial assets accounted at the amortized cost</u>

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

h) Financial instruments – Offseting

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

i) Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefit is transferred to the Bank and that the income may be reliably measured. The criteria of recognition specified as follows must be complied with before the income is recognized:

<u>(i) Interest income and expenses</u>

For all financial instruments measured at amortized cost, financial assets that accrue interest classified as available for sale the interest income or expenses are recorded using the effective interest rate method, which is the rate that discounts the future receipts or payments estimated by the estimated life of the financial instrument, or, when appropriate, a shorter period to the net book value of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are part of the effective rate, but does not include credit losses based on future events. The measurement of the financial asset or liability is adjusted if the bank changes the payment and receipt estimates. The remeasurement adjustment is calculated based on the original interest rate and the adjustment to book value is recorded as "Other operational income (expenses)". However, for reclassified financial assets for which the bank subsequently increases its estimate of future cash receipt, the effect of the increase is recognized as an adjustment in the actual rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets are written-off due to an impairment loss, the interest income continue to be recognized by using the interest rate used to discount the future cash flow used to measure the impairment loss.

<u>(ii) Fee and commission income</u>

The Bank and its subsidiaries recognise fees and commission income due to several types of service that it provides to its clients. Revenue from fees can be segregated into the following categories:

- Revenues with fees and commissions earned from services provided in a given period:

  Fees and commissions realized with provision of services throughout the period are recorded over the same period. These revenues include commission and management fees of assets, custody and other management fees, custody, and administration of investment funds.

  Revenues with fees of loans in which the credit is likely to be used - and other fees related to credit - are deferred (together with any incremental costs) and recognized as an adjustment to the actual interest rate of the loan. When the use of credit from a loan is not probable, revenue of fees of loans is recognized over the period of the loan using the straight-line method.

- Fees from services rendered relating to executed transactions:

  Fees resulting from trading or interest in trading with third parties, such as, for example, share purchase agreement or other bonds or purchase or sale of a business, are recognized at the end of a transaction. Fees or components of rates that are related to specific performance are recognized after meeting specific criteria.

<u>(iii) Net gains with financial instruments</u>

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

j) Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents include cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

k) Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities comprise entities over which the Group has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Bank and its subsidiaries interest in the profits or losses of its associates and jointly controlled entities is recognized in the “Share of profit in associates and jointly controlled entities”. Any movements in the equity reserves of these entities is recognized directly in the investment balance.

l) Property, plant and equipment

Property, plant and equipment is accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment is written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statement of income when the asset is disposed.

m) Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Shares issued as part of the consideration transferred are measured at fair value at the issuance date. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

n) Intangible Assets

Intangible assets are recorded at cost and include acquired assets and computer software. An intangible asset is recognized only when its cost can be reliably measured and it is likely that the future economic benefits expected which are assigned to them shall be carried out. The amortization expenses of intangible assets with definite useful lives are recognized in the income statement in the expense category consistent with the function of the intangible asset. The intangible assets with indefinite useful lives are not amortized but tested annually to identify possible impairment losses, which are recognized in the income statement by the carring amount of the asset that exceeds its recoverable value.

o) Impairment of nonfinancial assets

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

p) Financial guarantees provided

In the ordinary course of business, the bank and its subsidiaries grant financial guarantees, through letters of credit, guarantees and sureties. Financial guarantees are initially recognized in the financial statements (in 'other liabilities') based on the premium amount and are amortized throughout the agreement term. Subsequent to initial recognition, liabilities are measured at the greater of the amount initially recognized less, when appropriate, the value of accumulated amortization recognized in the income, and the best estimate of the costs required to settle any financial obligation created by this guarantee.

q) Provisions

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Provisions - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

r) Taxes

Allowance for income tax and social contribution are recognized based on accounting profit, adjusted for additions and deductions provided for by tax law. Deferred income tax and social contribution are calculated on the value of temporary differences and tax loss carry forwards, and are recognized when the realization of those amounts are deemed probable. For income tax the rate used is 15% plus a 10% allowance on annual taxable income exceeding R$ 240 and 15% for social contribution.

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable tin the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date.

Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

s) Dividends and interest on shareholders' equity (ISE) of shares

Dividends and interest on shareholders' equity are recognized as a liability and deducted from the net equity when approved by the Bank's shareholders. Dividends on the interim dates are deducted from the net equity when declared and are not subject to further decision of the Bank.

t) Earnings per share

Earnings per share is calculated by dividing net income by the weighted average of common and preferred shares outstanding in each financial year. The weighted average number of shares is calculated based on the periods in which the shares were in circulation.

u) Segment Information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

The revenues are generated primarily in Brazil, where the bank's customers are located.

5. Business combinations

The following business combinations that occurred during the year ended December 31, 2012, were accounted for and are being disclosed in accordance with IFRS 3 (R) - Business Combinations.

Brazilian Finance & Real Estate S.A. (BFRE)

On January 31, 2012, the Bank and its jointly-controlled, Banco Panamericano, entered into an agreement to purchase 100% of the Brazilian Finance & Real Estate SA (BFRE) capital shares, as described in Note 2.

Since the acquisition, BRFE in the year of 2012 contributed to the net revenue and net income of the Bank for R$ 98,617 and R$ 83,183, respectively. If the acquisition had occured on January 1, 2012, the impact on net revenues and net income of the Bank as of December 31, 2012, would be R$ 114,332 and R$ 90,102, respectively.

As described in Note 2, after the merge of Brazilian Capital Management, the Gestora recognized deferred tax in the amount of R$ 84,247 adjusted to goodwill. In December of 2012 we also received by Brazilian Capital revenue of performance fees from real estate funds in the amount of R$ 91,557, related prior period of the acquisition, and impaired the goodwill in the same amount because was a separate amount considered in our valuation.

Celfin Capital (Celfin)

On November 20, 2012, the Bank completed the acquisition of Celfin, as described in Note 2.

The fair value of identifiable assets and liabilities of Celfin is presented below:

(In thousands of reais)

	Fair value recognized on acquisition
Assets	
Cash and balances at Central Bank	82,620
Financial assets held for trading and derivatives	345,939
Intangible assets	259,737
Securities trading and brokerage	410,552
Other assets	251,619
	1,350,467
Liabilities	
Funding	(20,182)
Derivatives	(79,991)
Securities trading and brokerage	(465,374)
Other liabilities	(320,365)
	(885,912)
Net identifiable assets and liabiliites	**464,555**
Goodwill on acquisition	573,039
Consideration transferred	**1,037,594**

The total consideration transferred for the acquisition comprises: (i) R$ 538,977 in cash net of capital increase paid by the Bank, and (ii) shares issued by the Bank of R$ 498,617, and (iii) R$ 106,742 related to the difference between the fair value of the shares issued by BTG Investments, LP and it's capital increase.

The goodwill recognized on the acquisition of R$ 573,039 comprises the expected synergy value of the acquisition and future profitability, which was not possible to identify separately.

During the process of the purchase price allocation, the Bank recognized net assets at fair value on the transaction. There were identified and recognized intangible assets, primarily represented by (i) R$ 158,728 of customer relationship, with a life of 10 years, (ii) R$ 76,272 of fund distribution agreements, with a useful life of 10 years and, (iii) R$ 88,640 of trademarks, with life 5 years.

Since the acquisition Celfin contributed to the net revenue and net income of the Bank for R$ 37,625 and (R$ 10,099) respectively. If the acquisition had occured on January 1, 2012, the impact on net revenue and net income of the Bank as of December 31, 2012, would have been R$ 231,229 and (R$ 5,691), respectively.

Bolsa y Renta

On December 20, 2012, the Bank completed the acquisition of 100% of Bolsa y Renta shares, as described in Note 2.

Due the date of accounting acquisition was December 31, 2012, Bolsa y Renta in the year of 2012 did not contributed to the net revenue and net income of the Bank. If the acquisition had occured on January 1, 2012, the impact on net revenue and net income of the Bank, would have been R$ 62,416 and R$ 5,593, respectively.

The purchase price allocation has not been concluded at the date of the issuance of this report. Management expects to allocate significant part of the consideration paid to goodwill.

The total consideration transferred for the acquisition comprises: (i) R$ 68,016 in cash net of capital increase paid by the Bank, and (ii) shares issued by the Bank of R$ 54,279.

(In thousands of reais)

6. Risk management

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented easily and effectively. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, defines overall limits and is ultimately responsible for managing risks, (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new loans according to the guidelines set forth by the Bank's Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Committee, which assesses the main operational risks for the internal policies and regulatory risks established, (vi) ALM (Anti Money Laundering) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering, (vii) CFO Committee, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure, (viii) 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. We believe that the involvement of the Committees (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.

a. Operating limits

According to the recommendations of the New Capital Accord (Basel II), BACEN disclosed the methodology to calculate the Reference Shareholders' Equity (PR) and the Required Reference Shareholders' Equity (PRE), as of July 1, 2008, through CMN Resolutions 3444/07 and 3490/07. In addition, BACEN Circular Letters 3360/07, 3361/07 to 3366/07, 3368/07, 3383/08, 3388/08 and 3389/08 established the guidelines to determine credit, market and operating risks.

The Basel ratio was calculated based on the financial statements, on a consolidated basis, including all the subsidiaries, prepared according to BR GAAP, applicable to financial institutions authorized to operate by the Central Bank (BACEN).

	2012	2011
Reference Shareholders' Equity (PR)	14,593,354	8,430,976
Shareholders' equity – Tier 1	10,249,644	6,331,062
Shareholders' equity – Tier 2	5,124,822	3,165,531
Deductions from the Reference Shareholders' Equity	(781,112)	(1,065,617)
Required Reference Shareholders' Equity (PRE)	9,273,372	5,250,915
Credit risk	5,606,749	3,416,049
Market risk	3,440,807	1,553,458
Operating risk	225,816	281,408
Exceeding Required Reference Equity: (PR-PRE)	5,319,982	3,180,061
Capital adequacy ratio (based index): (PRx100)/PRE/0.11)	17.31%	17.66%

Management elected the basic indicator approach to measure the operating risk.

The fixed assets to equity capital ratio, as determined by CMN Resolution 2283/96, amended by Resolution 2669/99 and with the wording of Resolutions 2743/00 and 3426/06, are also calculated on a consolidated basis considering all subsidiaries:

	2012	2011
Reference Shareholders' Equity (PR)	14,593,354	8,430,976
Equity securities	(17,374)	(6)
Reference Shareholders' Equity for fixed assets to equity capital ratio (PR_LI)	14,575,980	8,430,970
Fixed assets to equity capital ratio (50%)	7,287,990	4,215,485
Status for fixed assets to equity capital ratio	5,883,100	3,034,871
Permanent assets	3,463,787	1,409,501
Deferred permanent assets	(6,586)	(8,772)
Equity securities	(17,374)	(6)
Investments in subsidiaries authorized to operate by the Central Bank	(779,577)	(427,132)
Variable income securities recognized in current assets	3,222,850	2,061,280
Margin	1,404,890	1,180,614

As at December 31, 2012 and 2011, all operating limits are duly complied with.

b. Market risk

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

The VaR presented below was calculated for a one-day period, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 a stress test models as a complement to VaR method for its daily risk activities.

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

In millions of R$	2012	2011	2010
Daily average VaR	60.5	28.4	21.5

(In thousands of reais)

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.

The maximum exposures of the financial assets divided by geographic region are as follows:

	2012		
	Brazil	**Foreign**	**Total**
Asset			
Cash and balances at Central Bank	599,750	424,693	1,024,443
Financial assets at fair value through profit or loss			
Financial Assets held for trading (i)	25,893,091	36,699,655	62,592,746
Financial assets designated at fair value through profit and loss	6,324,143	-	6,324,143
Derivative financial instruments	7,824,648	2,169,299	9,993,947
Loans and Receivables			
Open market investments	13,694,011	2,032,925	15,726,936
Other loans and receivables	8,375,610	1,948,856	10,324,466
Amounts receivable from banks	1,406,962	510,875	1,917,837
Held-to-maturity financial assets	4,100,418	-	4,100,418
Total	**68,218,633**	**43,786,303**	**112,004,936**

	2011		
	Brazil	**Foreign**	**Total**
Asset			
Cash and balances at Central Bank	874,053	517,306	1,391,359
Financial assets at fair value through profit or loss			
Financial Assets held for trading (i)	17,459,023	18,832,823	36,291,846
Financial assets designated at fair value through profit and loss	7,728,606	-	7,728,606
Derivative financial instruments	2,011,338	1,260,605	3,271,943
Loans and Receivables			
Open market investments	5,926,339	4,969,491	10,895,830
Other loans and receivables	7,817,130	461,383	8,278,513
Amounts receivable from banks	916,457	42,143	958,600
Held-to-maturity financial assets	3,788,487	-	3,788,487
Total	**46,521,433**	**26,083,751**	**72,605,184**

(i) See note 8(a).

(In thousands of reais)

The table below provides the main exposures to credit risk based on accounting values and classified by economic activity of the counterparties:

	2012												
	Governments	Financial institutions	US agencies	Services	Investment funds	Individuals	Industry	Energy	Rural	Clearing	Real State	Other (i)	Total
Asset													
Cash and balances at Central Bank	472,502	551,941	-	-	-	-	-	-	-	-	-	-	1,024,443
Financial assets at fair value through profit or loss													
Financial Assets held for trading	22,366,709	974,313	13,913,791	3,886,683	-	-	250,000	2,938,096	-	-	1,294,783	16,968,371	62,592,746
Financial assets designated at fair value through profit and loss	6,324,143	-	-	-	-	-	-	-	-	-	-	-	6,324,143
Derivative financial instruments	-	7,741,364	-	-	-	3,347	-	641,282	-	559,674	-	1,048,280	9,993,947
Loans and Receivables													
Open market investments	384,954	-	-	2,116,192	13,225,790	-	-	-	-	-	-	-	15,726,936
Other loans and receivables	-	-	-	4,919,038	-	2,511,973	2,301,380	-	457,309	-	-	134,766	10,324,466
Amounts receivable from banks	-	1,917,837	-	-	-	-	-	-	-	-	-	-	1,917,837
Held-to-maturity financial assets	4,100,418	-	-	-	-	-	-	-	-	-	-	-	4,100,418
Total	**33,648,726**	**11,185,455**	**13,913,791**	**10,921,913**	**13,225,790**	**2,515,320**	**2,551,380**	**3,579,378**	**457,309**	**559,674**	**1,294,783**	**18,151,417**	**112,004,936**

	2011												
	Governments	Financial institutions	US agencies	Services	Investment funds	Individuals	Industry	Energy	Rural	Clearing	Real State	Other (i)	Total
Asset													
Cash and balances at Central Bank	874,053	517,306	-	-	-	-	-	-	-	-	-	-	1,391,359
Financial assets at fair value through profit or loss													
Financial Assets held for trading	13,120,426	812,107	8,179,126	1,974,477	-	-	206,136	942,314	-	-	-	11,057,260	36,291,846
Financial assets designated at fair value through profit and loss	7,728,606	-	-	-	-	-	-	-	-	-	-	-	7,728,606
Derivative financial instruments	-	1,309,163	-	-	1,599,505	-	-	-	-	120,000	-	243,275	3,271,943
Loans and Receivables													
Open market investments	3,782,235	4,780,615	-	-	2,332,980	-	-	-	-	-	-	-	10,895,830
Other loans and receivables	-	-	-	3,951,322	-	3,020,317	921,324	-	312,270	-	-	73,280	8,278,513
Amounts receivable from banks	-	958,600	-	-	-	-	-	-	-	-	-	-	958,600
Held-to-maturity financial assets	3,788,487	-	-	-	-	-	-	-	-	-	-	-	3,788,487
Total	**29,293,807**	**8,377,791**	**8,179,126**	**5,925,799**	**3,932,485**	**3,020,317**	**1,127,460**	**942,314**	**312,270**	**120,000**	**-**	**11,373,815**	**72,605,184**

(i) Represents primarily exposure at tradable shares and investment funds quotes.

(In thousands of reais)

Financial assets that are due without event of loss or individually due with event of loss are covered partially or in whole by guarantees. The disclosure of main guarantees are described on Note 12.

In 2012 and 2011 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

d. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establish substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the years ended on December 31:

	2012		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	1,024,443	-	1,024,443
Financial assets at fair value through profit or loss			
Financial Assets held for trading	62,592,746	-	62,592,746
Financial assets designated at fair value through profit and loss	6,324,143	-	6,324,143
Derivative financial instruments	9,035,181	958,766	9,993,947
Loans and Receivables			
Open market investments	15,726,936	-	15,726,936
Other loans and receivables	4,386,871	5,937,595	10,324,466
Amounts receivable from banks	1,910,025	7,812	1,917,837
Held-to-maturity financial assets	-	4,100,418	4,100,418
Deferred tax assets	876,348	673,756	1,550,104
Other assets	6,163,754	834,929	6,998,683
Investment in associates and jointly controlled entities	-	2,561,131	2,561,131
Property, plant and equipment	-	95,694	95,694
Intangible assets	-	1,215,186	1,215,186
Total Assets	**108,040,447**	**16,385,287**	**124,425,734**

	2011		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	1,391,359	-	1,391,359
Financial assets at fair value through profit or loss			
Financial Assets held for trading	36,291,846	-	36,291,846
Financial assets designated at fair value through profit and loss	7,728,606	-	7,728,606
Derivative financial instruments	2,796,839	475,104	3,271,943
Loans and Receivables			
Open market investments	10,895,830	-	10,895,830
Other loans and receivables	3,285,494	4,993,019	8,278,513
Amounts receivable from banks	943,813	14,787	958,600
Held-to-maturity financial assets	-	3,788,487	3,788,487
Deferred tax assets	-	1,387,903	1,387,903
Other assets	5,461,375	1,439,532	6,900,907
Investment in associates and jointly controlled entities	-	733,339	733,339
Property, plant and equipment	-	58,403	58,403
Intangible assets	-	706,323	706,323
Total Assets	**68,795,162**	**13,596,897**	**82,392,059**

(In thousands of reais)

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Company and its subsidiaries, for the years ended on December 31:

	2012		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	10,840,811	796,719	11,637,530
Derivative financial instruments	9,241,069	908,199	10,149,268
Financial Liabilities carried at amortized cost			
Amounts payable to banks	578,705	48,372	627,077
Open market funding	48,855,338	209,564	49,064,902
Other financial liabilities carried at amortized cost	16,732,175	14,261,143	30,993,318
Tax liabilities	881,837	653,369	1,535,206
Other liabilities	-	9,975,664	9,975,664
Non-controlling interest	-	88,068	88,068
Shareholders' equity	-	10,354,701	10,354,701
Total Liabilities	**87,129,935**	**37,295,799**	**124,425,734**

	2011		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	6,243,498	6,971,859	13,215,357
Derivative financial instruments	2,747,905	430,265	3,178,170
Financial Liabilities carried at amortized cost			
Amounts payable to banks	572,761	3,644	576,405
Open market funding	29,949,155	-	29,949,155
Other financial liabilities carried at amortized cost	13,559,749	9,291,036	22,850,785
Tax liabilities	238,783	521,157	759,940
Other liabilities	4,715,478	601,284	5,316,762
Non-controlling interest	-	212,207	212,207
Shareholders' equity	-	6,333,278	6,333,278
Total Liabilities	**58,027,329**	**24,364,730**	**82,392,059**

The table below presents the undiscounted cash flows for "Financial liabilities carried at amortized cost". We are not presenting undiscounted cash flows for "Financial Liabilities at fair value through profit or loss". Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

	2012		
	Under 12 months	Over 12 months	Total
Financial Liabilities carried at amortized cost			
Amounts payable to banks	587,185	63,146	650,332
Open market funding	48,920,806	305,944	49,226,750
Other financial liabilities carried at amortized cost	17,363,289	20,592,583	37,955,872

	2011		
	Under 12 months	Over 12 months	Total
Financial Liabilities carried at amortized cost			
Amounts payable to banks	649,382	6,726	656,108
Open market funding	30,001,705	-	30,001,705
Other financial liabilities carried at amortized cost	15,938,181	10,108,870	26,047,051

f. Operating risk

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

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 antecipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

7. Cash and Balance at Central Bank

The composition of this account is presented below:

	2012	2011
Cash	551,940	517,305
Balance at Central Bank	472,503	874,054
Total	**1,024,443**	**1,391,359**

(In thousands of reais)

8. Assets and liabilities at fair value through profit and loss

a. Financial assets held for trading

	2012		2011	
	Cost	Market	Cost	Market
Own portfolio	29,954,863	29,608,648	14,160,009	14,086,185
Federal government bonds	1,798,560	1,782,419	542,541	546,825
Brazilian foreign debt securities	20,911	20,724	-	-
Debentures/Eurobonds (i)	6,769,826	6,794,454	4,184,172	4,293,552
Bank certificates of deposit	117,895	117,895	-	-
Bank credit certificate	48,913	44,921	257,026	257,274
Investment fund quotes				
Shares	106,354	106,354	118,511	118,511
Multimarket	1,804,331	1,863,610	943,039	943,039
FIDC - Credit Rights	223,338	223,338	444,644	444,644
Real Estate	629,708	629,708	-	-
Equity Investment fund	622,918	622,918	838,674	838,473
Other	-	-	1,850	1,850
Shares	3,562,263	3,016,600	3,651,282	3,584,455
Promissory notes	2,003,746	2,003,745	956,202	956,853
Certificate of real estate receivables	884,400	871,821	524,625	524,625
Foreign government bonds				
United States	756,706	754,080	420,386	421,831
United Kingdom	39,519	39,910	-	-
Mexico	408,480	401,967	-	-
Other	351,215	382,067	58,519	55,647
Foreign private securities	2,426,290	2,568,894	919,653	809,162
US Agencies	7,277,546	7,269,239	99,223	100,630
Financial bills	28,739	28,511	-	-
Other	73,205	65,473	199,662	188,814
Unrestricted portfolio	50,126	48,082	12,888	12,560
Federal government bonds	50,126	48,082	12,888	12,560
Subject to Central Bank - Brazil	52,503	53,515	-	-
Federal government bonds	52,503	53,515	-	-
Subject to repurchase agreements	30,851,064	30,586,402	21,200,280	21,055,304
Federal government bonds	7,005,947	6,658,658	5,989,922	5,876,773
Foreign government bonds				
United States	5,884,470	5,859,109	3,716,432	3,795,158
United Kingdom	2,235,010	2,257,062	1,178,366	1,181,677
Germany	1,027,380	1,049,942	279,709	275,426
Other	1,723,810	1,750,739	225,015	218,324
US Agencies	6,658,931	6,644,552	8,111,739	8,078,497
Debentures / Eurobonds (i)	2,427,488	2,422,255	897,964	888,799
Foreign private securities	3,888,028	3,944,085	801,133	740,650
Subject to guarantees	1,745,490	1,775,054	821,650	822,498
Federal government bonds	958,683	951,411	737,083	736,204
Investment fund quotes				
Multimarket	373	373	-	-
Shares	428,990	465,756	84,567	86,294
Foreign private securities	492	492	-	-
Foreign government bonds				
United States	342,763	342,866	-	-
Other	14,189	14,156	-	-
Foreign government bonds				
United States	521,045	521,045	315,299	315,299
	63,175,091	62,592,746	36,510,126	36,291,846

(i) Substantially securities issued by Brazilian companies.

(In thousands of reais)

b. Financial liabilities held for trading

	2012	2011
Short position in securities	4,213,947	12,175,269
Loan of securities		
Federal government bonds	7,423,583	1,040,088
	11,637,530	**13,215,357**

c. Financial assets designated at fair value through profit and loss

Financial assets designated at fair value through profit or loss is basically represented by short-term repurchase agreements are measured at fair value once it significantly reduces the inconsistent treatment that would occur in the measurement of these assets in the recognition of gains and losses.

The amortized cost os such transactions is represented by the amount of R$ 6,322,287 and R$ 7,720,058, as of 2012 and 2011, respectively.

d. Derivatives

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedge for their 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 by 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 BM&F BOVESPA and CETIP S.A. – OTC Clearing House; 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 December 31, 2012 and 2011, the Bank does not have derivative financial instruments classified as hedge accounting.

(In thousands of reais)

The composition of this account is presented below:

	2012		2011	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	21,979	21,980	22,516	22,516
Short position	(37,353)	(37,354)	(15,900)	(15,901)
Swaps				
Long position	337,365	479,957	199,075	267,020
Short position	(398,323)	(584,632)	(409,901)	(466,063)
Credit derivatives				
Long position	82,032	63,881	101,109	151,046
Short position	(43,100)	(48,595)	(92,196)	(128,264)
Non-deliverable forward - NDF				
Long position	805,377	815,616	270,464	266,937
Short position	(637,391)	(641,503)	(75,909)	(74,379)
Deliverable forward - DF				
Long position	2,872,949	2,880,141	491,985	491,985
Short position	(2,890,757)	(2,890,434)	(491,120)	(491,120)
Security forwards				
Long position	2,878,723	2,980,219	1,479,073	1,479,073
Short position	(2,873,648)	(2,974,830)	(1,479,073)	(1,479,073)
Options market				
Long position	350,209	642,376	286,150	378,783
Short position	(422,509)	(886,334)	(380,939)	(298,263)
Exchange portfolio				
Long position	2,109,777	2,109,777	214,583	214,583
Short position	(2,085,586)	(2,085,586)	(225,107)	(225,107)
Long position	**9,458,411**	**9,993,947**	**3,064,955**	**3,271,943**
Short position	**(9,388,667)**	**(10,149,268)**	**(3,170,145)**	**(3,178,170)**

(i) Refers to book value receivable (received) / payable (paid).

We show below the notional value of derivative operations. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	2012	2011
	Total	Total
Futures market		
Long position	104,828,570	151,410,113
Currency	4,442,407	4,175,540
Interest rate	99,179,298	146,119,068
Commodities	466,066	262,961
Index	688,991	840,022
Equities	51,808	12,522
Short position	24,126,235	15,556,377
Currency	7,528,052	4,781,697
Interest rate	14,322,163	7,613,219
Commodities	542,863	246,924
Index	1,656,482	680,824
Equities	76,675	2,233,713
Swap		
Long position	119,478,796	43,380,473
Currency	3,612,317	1,580,973
Interest rate	111,973,463	33,077,864
Index	2,021,936	6,674,627
Equities	1,174,851	1,102,414
Commodities	75,342	18,817
Other	620,887	925,778

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31
(In thousands of reais)

	2012	2011
	Total	Total
Short position	119,478,796	43,380,473
Currency	6,969,545	4,434,709
Interest rate	107,532,821	2,088,537
Index	3,443,128	35,221,673
Equities	586,262	181,420
Commodities	41,151	3,837
Other	905,889	1,450,297
Credit Derivatives		
Long position	1,146,618	1,305,128
Sovereign	565,424	1,185,894
Corporate	581,194	119,234
Short position	3,973,222	3,138,689
Sovereign	1,164,284	2,441,152
Corporate	2,808,938	697,537
Non-deliverable forward - NDF		
Long position	34,267,103	16,727,162
Currency	28,409,800	4,290,638
Commodities	2,674,466	-
Index	2,159,835	-
Interest rate	1,023,002	12,436,524
Short position	34,267,103	16,727,162
Currency	27,530,158	15,639,514
Commodities	2,837,995	-
Index	2,245,949	1,601
Interest rate	1,653,001	797,836
Equities	-	227,455
Other	-	60,756
Deliverable forward - DF		
Long position	5,361,664	2,054,980
Currency	204,696	2,054,980
Commodities	5,156,968	-
Short position	5,361,664	2,054,980
Currency	5,361,664	2,054,980
Security forwards		
Long position	3,075,709	1,479,074
Interest rate	1,503,668	739,537
Equities	101,497	-
Government bonds	1,470,544	739,537
Short position	3,075,709	1,479,074
Interest rate	1,572,041	739,537
Government bonds	1,503,668	739,537
Options market		
Call option	27,735,790	399,883,600
Equities	2,461,720	42,689,959
Commodities	537,032	243,857
Index	12,616,992	9,463,810
Currency	568,405	193,499,601
Interest rate	11,549,641	153,963,075
Other	2,000	23,298
Put option	51,065,297	393,818,615
Equities	1,863,025	5,398,373
Commodities	82,966	663,610
Index	7,889,426	3,132,699
Currency	867,131	189,263,040
Interest rate	36,949,213	180,248,439
Other	3,413,536	15,112,454

(In thousands of reais)

	2012 Total	2011 Total
Call option	35,578,820	428,737,610
Equities	1,544,827	3,020,268
Commodities	637,725	243,763
Index	17,926,344	61,870,064
Currency	980,194	255,616,441
Interest rate	14,489,730	107,987,074
Put option	49,603,531	291,144,246
Equities	1,016,625	2,330,259
Commodities	98,284	648,433
Index	16,258,598	9,690,370
Currency	673,974	195,231,136
Interest rate	31,556,050	83,244,048
Exchange Portfolio		
Long position	2,109,777	214,583
Currency	2,109,777	214,583
Short position	2,085,586	255,107
Currency	2,085,586	255,107

Guarantee margins in transactions traded on BM&FBOVESPA with derivatives comprises federal government, sovereign bonds and other totaling R$ 1,846,983 (2011 – R$ 2,187,464) and shares in the amount of R$ 465,756 (2011 – R$ 86,294).

e. Reclassification of securities

Management classifies securities according to its trading intention. No reclassifications or changes in intention were made by Management during the period.

9. 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 that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the BM&F, the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).

- Futures and Terms – Prices obtained in exchanges or using the same criteria as described above for swaps.

- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

(In thousands of reais)

- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).

- Financial instruments for trading – the fair values of bonds are calculated based on prices published by ANDIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.

- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

The table below summarizes the fair value hierarchy of the financial instruments, classified based on the measurement methods adopted by the Bank:

	2012			
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	35,511,013	24,754,375	2,327,358	62,592,746
Financial assets designated at fair value through profit and loss	-	6,324,143	-	6,324,143
Derivative financial instruments	5,613,087	3,740,999	639,861	9,993,947
Liability				
Financial liabilities held for trading	11,609,314	28,216	-	11,637,530
Derivative financial instruments	5,884,123	3,737,770	527,375	10,149,268

	2011			
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	25,860,336	9,824,011	607,499	36,291,846
Financial assets designated at fair value through profit and loss	-	7,728,606	-	7,728,606
Derivative financial instruments	1,925,806	1,264,624	81,513	3,271,943
Liability				
Financial liabilities held for trading	11,680,579	1,534,778	-	13,215,357
Derivative financial instruments	1,910,078	1,268,092	-	3,178,170

There were no reclassifications between Level 1 and 2 for the years ended December 31, 2012 and 2011.

The movement on financial instruments classified as Level 3 in 2012 and 2011 is presented below:

	Derivative financial instruments	Financial assets held for trading	Total
At January 1, 2011	-	542,543	542,543
Transfers from level 2	-	18,892	18,892
Acquisition	4,193	85,589	89,782
Gain/losses	77,320	7,043	84,363
Sales	-	(46,568)	(46,568)
At December 31, 2011	81,513	607,499	689,012
Transfers from level 2	51,680	584,285	635,965
Acquisition	-	1,488,646	1,488,646
Gain/losses	83,067	41,812	124,879
Sales	(103,774)	(394,884)	(498,658)
At December 31, 2012	112,486	2,327,358	2,439,844

(In thousands of reais)

Transfers from Level 2 during the year of 2012 basically refers to liquidity reduction in securities classified into this category.

10. Open market investments and funding

The amounts presented below are basically overnight, and indexed to local and foreing benchmark interest rate.

	2012		2011	
	Ativo	Passivo	Ativo	Passivo
Own funds	494,500	32,227,539	2,562,418	23,228,588
Third-party funds	14,796,980	16,837,363	8,041,032	6,720,567
Short position	435,456	-	292,380	-
	15,726,936	49,064,902	10,895,830	29,949,155

As at December 31, 2012 and 2011 the balances above are reported net of corresponding liabilities in the amount of R$ 9,201,258 and R$ 6,681,113, according note 4(f).

The collateral received in repurchase agreements amounts to R$ 31,050,116 (2011 - R$ 26,884,577), whereas the collateral granted amounts to R$ 62,749,389 (2011 - R$ 52,525,794).

11. Amounts receivable from/payable to banks

The composition of this account is presented below:

	2012		2011	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	1,406,962	627,077	916,457	576,405
Investments in foreign currency – Overnight	510,875	-	42,143	-
	1,917,837	627,077	958,600	576,405

12. Other loans and receivables

a. Composition

The composition of this account is presented below:

(In thousands of reais)

	2012		
	Balance	Allowance	Total
Loans	5,141,670	(135,702)	5,005,968
Financing	1,586,294	(41,338)	1,544,956
FINAME/BNDES	45,214	(3,641)	41,573
Foreign currency advances	511,543	(4,831)	506,712
Fund for Compensation of Salary Variations (FCVS)	134,337	-	134,337
Securities and credits receivable (i)	1,353,895	(5,163)	1,348,732
Transferred loans	155,813	(779)	155,034
Without loan characteristics (ii)	2,537,090	(949,936)	1,587,154
	11,465,856	(1,141,390)	10,324,466

	2011		
	Balance	Allowance	Total
Loans	3,126,624	(77,428)	3,049,196
Financing	1,399,992	(4,873)	1,395,119
FINAME/BNDES	44,647	(47)	44,600
Foreign currency advances	564,496	(3,284)	561,212
Fund for Compensation of Salary Variations (FCVS)	136,190	-	136,190
Securities and credits receivable (i)	661,783	(266)	661,517
Without loan characteristics (ii)	3,012,411	(617,496)	2,394,915
Other loans without loan characteristics	77,907	(42,143)	35,764
	9,024,050	(745,537)	8,278,513

(i) Refers to the acquisition of credit rights.
(ii) Refers to the acquisition of credit portfolios and financing of vehicles through Investment Funds in Credit Rights (FIDC). The evaluation of these portfolios is performed based on the internal return rate (TIR).

The amount of guarantees received for credit operations at December 31, 2012 and 2011, was R$ 4,982,933 e R$ 4,602,362, respectively.

b. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the fiscal years were as follows:

	2012	2011
Opening balances	(745,537)	(111,833)
Reversal/(recording) of allowance (i)	(400,952)	(30,022)
Exchange rate variation	(3,326)	(475)
Amounts transfered	-	(617,496)
Credits written off as loss	8,425	14,289
Closing balances	(1,141,390)	(745,537)

(i) Total amount of allowance in consolidated statements of income include sureties and guarantiees recorded in liabilities in the amount of R$ 53,103 and other provisions relating to “Other assets” in the amount of R$ 14,242.

(In thousands of reais)

c. Renegotiation/recovery of credits written off as loss

In the year ended December 31, 2012, the Bank renegotiated credit loans in the amount of R$ 108,890 (2011 - R$ 88,718); and recovered amounts relating to credit written off in previous period in the amount of R$ 1,740 (2011 – R$ 19,566).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	2012	2011
Low	5,728,664	4,776,453
Medium	5,362,211	3,339,634
High	374,981	907,963
Total	11,465,856	9,024,050

The Bank follows an internal loan ratings system that complies with requirements of the Central Bank of Brazil; based on such ratings, for purposes of this footnote, the bank has further grouped the loans into low, medium and higher risk. Low risk included ratings AA and A, medium B and C and high from D to H.

13. Held-to-maturity financial assets

	2012	2011
Own portfolio		
Federal government bonds	774,997	2,375,915
Subject to repurchase		
Federal government bonds	2,268,007	-
Subject to guarantees		
Federal government bonds	1,057,414	1,412,572
	4,100,418	3,788,487

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a positive adjustment of R$ 751,708 (2011 – R$ 38,503).

(In thousands of reais)

14. Other financial liabilities carried at amortized cost

a. Summary

	2012	2011
Deposits	13,996,930	13,634,655
Funds from securities issued and accepted	8,725,123	4,138,119
Loans and onlending	1,904,736	919,716
Obligations related to transferred loans	120,420	-
Subordinated debts	6,246,109	4,158,295
	30,993,318	22,850,785

b. Deposits

	2012	2011
Demand deposits	283,551	1,574,208
Time deposits	13,713,379	12,060,447
	13,996,930	13,634,655

c. Funds from securities issued and accepted

	2012	2011
Securities – Brazil	6,051,006	2,988,478
Financial bills	245,034	363,489
Mortgage bonds/letters of credit for agribusiness	5,805,972	2,624,989
Securities – abroad	2,674,117	1,149,641
Medium term notes	1,556,650	1,143,042
Credit linked notes	1,117,467	6,599
	8,725,123	4,138,119

Securitites issued in Brazil are basically indexed to interbank deposit rates (CDI) between 35% e 109.25% or inflation indexes (IPCA e IGPM) plus 1.2% a 7.9%.

Securities abroad have rates between 0.9% per year to 19.3% per year.

d. Loans and onlending

	2012	2011
Loans abroad	1,394,768	875,094
Foreign currency	695,251	541,493
Loans abroad	699,517	333,601
Onlending in Brazil – official institution	509,968	44,622
BNDES	509,968	44,622
	1,904,736	919,716

Borrowing and transfers have rates between 0.9% per year to 8.58% per year.

(In thousands of reais)

e. Subordinated debt

As at December 31, 2012, the outstanding balance of this item was R$ 6,246,109 (2011 – R$ 4,158,295), as represented by (i) financial bills issued on April 15, 2011, totaling R$ 4,652,973, with repayment every six months and maturity beginning October 2016 and ending April 15, 2021, indexed to fixed rates plus inflation; and (ii) subordinated notes issued on September 25th, 2012 in the amount of R$ 1,593,136 (2011 – zero) and due September 2022, which bear interest at 5.75% per year.

15. Other assets

The composition of this account is presented below:

	2012	2011
Court deposits	654,997	530,668
Tax to offset	268,114	220,499
Debtors/creditors – pending settlement (i)	3,575,231	4,372,440
Sundry debtors – local (ii)	931,918	1,312,799
Services provided receivable	353,141	208,608
Management fee and performance fees receivable for funds and investment portfolios	574,208	145,974
Cash from records and settlement	304,421	30,809
Other amounts and assets	20,467	18,591
Prepaid expenses	14,999	6,534
Other investments	96,598	8,713
Tax incentives	1,317	1,317
Provision for losses	(2,987)	(2,987)
Miscellaneous	206,259	46,942
	6,998,683	6,900,907

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.

(ii) In December 31, 2012 consists of R$ 253,048 related to advances for energy suppliers from Coomex, R$ 268,021 (BW Properties) and R$ 299,007 of CEPACS. In December 31, 2011 consists of: : i) advances of capital held by subsidiaries of the bank of R$ 428 million, with no indexation or stated maturity and ii) deposits held by the Bank BTG Pactual at Banco Panamericano S.A. in the amount of R$ 630 million, indexed to SELIC, and maturing at January, 2012.

(In thousands of reais)

16. Investments in associates and jointly-controlled entities

	Associates and jointly-controlled entities					
	Shareholders Equity		Income		Interest	
	2012	2011	2012	2011	2012	2011
In Brazil						
Banco Panamericano S.A.	2,365,955	972,562	(364,592)	164,521	34.06%	37.64%
Warehouse 1 Empreendimentos Imobs S.A.	70,307	40,089	28,986	(3,237)	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	17,615	14,358	3,258	(2,179)	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	20,034	18,414	1,620	3,898	44.74%	44.74%
BR Properties S.A. (i) (iii)	7,943,692	-	1,227,428	-	25.03%	0.00%
Vivere Soluções e Serviços S.A.	12,799	29,997	(169)	5,070	30.00%	30.00%
One Properties S.A. (i)	-	658,287	-	(200,444)	0.00%	49.99%

	Changes in relevant investments							
	2011	Reclassification (iv)	Aquisition / Increase/ (Sales)	Dividends paid	Equity in earnings of subsidiaries from 2012	Incorporation of investment	2012	Equity in earnings of associates from 2011
In Brazil								
Banco Panamericano S.A. (ii)	366,074	-	546,281	-	(106,509)	-	805,846	61,761
Goodwill - Banco Panamericano.	-	145,852	-	-	(13,203)	-	132,649	-
Warehouse 1 Empreendimentos Imobs S.A.	14,031	-	-	(10,500)	21,076	-	24,607	(1,133)
Ágio - Warehouse 1 Empreendimentos Imobs S.A.	-	14,136	-	-	(14,136)	-	-	-
Max Casa XIX Empreendimentos Imobs S.A.	7,179	-	-	-	1,629	-	8,808	(1,572)
ACS Omicron Empreendimentos Imobs S.A.	8,239	-	-	-	725	-	8,964	2,327
Goodwill - ACS Omicron Empreendimentos Imobs S.A.	-	6	-	-	(6)	-	-	-
BR Properties S.A. (i) (ii)	-	-	(240,007)	(16,936)	382,679	1,450,731	1,576,467	-
One Properties S.A. (i)	329,078	-	-	-	15,429	(344,507)	-	22,583
Ágio One Properties S.A.	-	320,956	-	-	-	(320,956)	-	-
Vivere Soluções e Serviços S.A.	8,738	-	-	-	(4,948)	-	3,790	1,500
	733,339	480,950	306,274	(27,436)	282,736	785,268	2,561,131	85,466

(In thousands of reais)

(i) See corporate restructuring described in Note 2;
(ii) Jointly-controlled;
(iii) As described in Note 2, the investment in the consolidated subsidiary Saira and its corresponding goodwill totaling R$ 1,436 million at December 31, 2011, were converted into equity investment in BR Properties. During the period, the Bank recognized equity earnings of R$ 383 million net of allowance for non-permanent impairment totaling R$ 402 million. The impairment was recognized in income statement as pickup on equity, to reflect the the probable realizable value of the shares of the affiliate;
(iv) Reclassification to investment in associates and jointly-controlled entities of a goodwill related to Panamericano improperly classified as intangible asset and goodwill of R$ 145,182.

a. Banco Panamericano S.A

In 2011, the Bank acquired the total shares of Grupo Silvio Santos in Banco PanAmericano .S.A. in the amount of R$ 450 million, and became the holder of 37.64% in the retail institution, with 51.00% of common shares and 21.97% of preferred shares sharing control with Caixa Econômica Federal ("Caixa"), based on the shareholders' agreement entered into between the parties. This investment is classified as a jointly controlled entity.

On January 31, 2012 the Bank contributed capital increase to Panamericano S.A. in the amount of R$ 495,477. This capital increase was made by conversion of advances for capital increase into capital stock.

The subscription rights of non-controlling shareholder's was exercised on May 10, 2012 and the Bank aditionaly contributed with R$ 50,804 that refers to the acquisition of preferred shares. After this event the Bank holds 34.06% of interest in Panamericano S.A.

With respect to Caixa, the partnership with BTG Pactual will maintain the equity conditions based on which Caixa was able to acquire its interest in Banco PanAmericano, a decision taken based on the common business potential between both institutions, continuing with Caixa's expansion strategy in the Brazilian credit market.

Caixa, highly recognized in the retail market, and BTG Pactual are partners and their association represents a significant potential for business, in addition to the creation and distribution of products.

The Bank recognizes its interest in Banco PanAmericano S.A. using the equity method of accounting.

Details of the acquisition are as follows:

	Fair value recognized on the aquisition
Net assets as at April 30, 2011	808,041
Ownership	37.64%
Bank's net assets	304,148
Goodwill on subscription included in investment value	145,852
Total consideration (to be paid)	450,000
Goodwill on subscription	145,852
Total consideration (to be paid up to 2028, indexed to SELIC) (note 20)	450,000

(In thousands of reais)

b. One Properties S.A. ("OneP")

On June 10, 2011, the Bank entered into an investment agreement with WTorre Properties S.A. to form a new company focused on developing, acquiring, leasing and selling commercial real estate and industrial / logistics.

Under the terms of the transaction, which was completed on November 22, 2011, the Bank acquired an indirect stake of 49.99% of the new company, One Properties SA, in return for the contribution to the company of cash and assets totaling R$ 627,452.

The Bank recognizes its interest in One Propertier S.A. on the equity method of accounting.

The calculation of net assets for acquisition accounting was based on preliminary assessments and the final evaluation was not completed upon the approval of financial statements by management.

The fair value of assets and liabilities on the acquisition date is as follows:

	Fair value recognized on the aquisition
Net assets as at November 30, 2011	613,114
Ownership	49.99%
Bank's net assets	306,496
Goodwill included in investment value	320,956
Total consideration (in assets at fair value)	627,452

Goodwill determined based on the net fair values, in the amount of R$ 320,956, represents the expected future economic benefit from the synergies in connection with the acquisition.

17. Other acquisitions

a. BW Properties S.A. ("BW")

The fair value of assets and liabilities on the acquisition date is as follows:

	Fair value recognized on the acquisition
Net assets as at November 30, 2011	204,973
Ownership	67.49%
Bank's net assets	138,336
Goodwill on subscription	21,585
Total consideration (R$ 109, 712 in cash and R$ 50,141 in assets)	159,921

Goodwill determined based on the adjusted fair values, in the amount of R$ 21,585 represents the expected future economic benefit from the synergies in connection with the acquisition.

(In thousands of reais)

18. Intangible assets and goodwill

	Changes in Intangible assets					
	2011	**Acquisitions (net)**	**Amortization expenses / derecognition**	**Exchange variation**	**Transfer (iii)**	**2012**
Goodwill	**480,950**	**777,875**	**(46,927)**	**-**	**(622,306)**	**589,592**
Cost (i)	480,950	777,875	-	-	(622,306)	636,519
Impairment	-	-	(46,927)	-	-	(46,927)
Other intangible assets	**225,373**	**381,297**	**(45,775)**	**631**	**64,068**	**625,594**
Cost (ii)	247,201	57,657	(22,070)	(659)	64,068	346,197
Amortization	(21,828)	323,640	(23,705)	1,290	-	279,397
	706,323	1,159,172	(92,702)	631	(558,238)	1,215,186

(i) Goodwill acquisition refers substantially to goodwill related to acquisition of Celfin, Bolsa y Renta and BFRE.
(ii) Intangible assets acquisitions comprises basically intangible assets acquired in the business combination of Celfin and softwares.
(iii) Transfers corresponds to (i) deferred income tax recognized on BFRE's transaction in the amount of R$ 84,247 (Note 5); (ii) contribution of assets to BR Properties in the amount of R$ 378,741 (Note 2); and (iii) a reclassification to investment in associates and jointly-controlled entities of a goodwill related to Panamericano improperly classified as intangible asset and goodwill of R$ 145,182.

The amortization periods for intangible assets not originated in business combinations are 5 years.

19. Tax Liabilities

The composition of this account is presented below:

	2012	**2011**
Deferred:		
Deferred social contribution and income tax	128,648	48,720
Current:		
Tax and contributions to be collected	151,079	-
Tax and contribution payable	610,777	199,799
Suspended-payment taxes and others tax liabilities (note 21)	644,702	511,421
	1,406,558	711,220

(In thousands of reais)

20. Other Liabilities

The composition of this account is presented below:

	2012	2011
Cash from records and settlement	60,681	99,295
Debtors/creditors – pending settlement (i)	7,122,829	3,727,062
Liabilities for guarantees provided and other feesDeferred income	342	63,500
Employees' profit sharing	186,514	449,841
Bonus payable	626,746	103,188
Provision for payables	780,084	201,371
Payable for acquisition of assets and rights (ii)	574,451	569,694
ProvisionsProvision for contingent liabilities (Note 21)	29,123	27,719
Others	594,894	75,092
	9,975,664	5,316,762

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.
(ii) Refers to amounts payable for the acquisition of investments (substantially Panamericano and COOMEX)

21. 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, whenever necessary. Managements judgment is based on the opinion of its external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at December 31, 2012 and 2011, 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 accrued based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavorable outcome (pain and suffering and pecuniary injury, among others requesting condemning judgments), contingency amounts are accrued based on the opinion of internal and external legal counsel.

(In thousands of reais)

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 counsel and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions in the period

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recognized for such proceedings at December 31, 2012 are appropriate to cover any losses arising therefrom.The provisions recognized and their changes in the period are as follows:

	2012				2011
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	511,421	20,653	7,066	539,140	446,014
Recognition	133,478	2,404	6,480	142,362	105,541
Write-off	(197)	(3,918)	(3,562)	(7,677)	(12,415)
Balance at the end of the period	644,702	19,139	9,984	673,825	539,140
Suspended-payment taxes and other taxes contingencies				644,702	511,421
Provision for contingent liabilities				29,123	27,719

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 19)

The Bank's and its subsidiaries has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a possible loss by the internal counsel are fully recorded in provision. The main legal disputes are the following:

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

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSL ("Social contribution tax") - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at December 31, 2012, Banco BTG Pactual and its subsidiaries were parties to tax lawsuits with a possible outcome, which were not recorded in provision. The description of the main lawsuits is as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$ 872.9 million. These lawsuits have guarantee of indemnity clause as it refers to the period before the acquisition of the Bank by the current controllers.

- Administrative proceedings challenging the tax assessment by the São Paulo Local Government, charging ISS on services provided in Rio de Janeiro, as the tax authority from the city of São Paulo understands that such services were effectively rendered in São Paulo. The amount claimed is R$ 91.9 million.

- Lawsuits relating to the demutualization and IPO of Bovespa and BM&F, challenging the taxation of PIS, Cofins, income tax and social contribution on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R$ 87.5 million.

- In addition to the legal proceedings described above, in October 2012, the Bank has received a tax assessment totaling R$1,968.7 million alleging that the Bank's use of the amortization of certain goodwill to reduce the amount the IRPJ and CSLL taxes payable by it was inappropriate. Such goodwill was originated in connection with the acquisition of the Bank by UBS in 2006. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank's has filed an appeal of this tax assessment. Based on its analysis of applicable case law, including in recent similar cases, the Bank believes that the tax assessment is without merit and that the Bank will ultimately prevail in its appeal. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and has not established (and does not expect to establish) any related reserves on its financial statements. In addition to the Bank's assessment as to the validity of this tax assessment, in the event that the Bank incurs losses in connection with this matter, the Bank believes it is entitled to be indemnified by third parties for such losses. Accordingly, in no event does the Bank expect to incur any material losses in connection with this matter.

ii. Provision for other contingent liabilities (Note 16(c))

As at December 31, 2012 and 2011, BTG Pactual Group and its subsidiaries were parties to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provision. In addition, there is a challenge of Central Bank of Brazil and day-trade derivatives transactions, from 2002 to 2004 that potentially favored foreign investor over the bank. The value concerning the results of operations on claimed is US$ 189 million.

(In thousands of reais)

22. Income tax and social contribution

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

Income tax and social contribution	**2012**	**2011**
Tax base	2,520,917	800,367
Income before taxes and profit sharing	2,960,917	1,119,367
Interest on equity	(440,000)	(319,000)
Total charge of income tax and social contribution at the current rates	(1,008,367)	(320,147)
Permanent (additions) / deductions in taxation calculation	(41,302)	47,565
Equity in the earnings of subsidiaries and associated companies in Brazil	113,094	34,186
Foreign earnings	25,237	15,360
Gains on foreign gains	(83,197)	-
Other Permanent (additions) / deductions	(96,436)	(1,981)
Temporary (additions) / deductions on the taxation calculation	(40,112)	209,299
Reversal of provision for goodwill on the acquisition of investments	119,633	373,400
Marked-to-market evaluation of securities and derivatives	(162,058)	13,538
Allowance for loan losses	(69,647)	(8,353)
Tax contingencies and provision for suspended-payment taxes	(41,365)	(24,574)
Losses on branch abroad	88,504	(81,352)
Other provisions	24,821	(63,360)
Offset of tax loss carry forwards - current and deferred liability - Brazil	203,742	(107,987)
Tax expense and social contribution income	(886,039)	(171,270)
Temporary differences		
Recognition / (reversal) of the period	173,446	(171,254)
Recognition / (reversal) on goodwill	-	481,369
Recognition of loss on investment abroad	(292,247)	81,352
Offset of tax loss carry forwards - Abroad	198,049	-
Expenses) / revenues from deferred taxes	79,248	391,467
Total revenues / (expenses)	(806,791)	220,197

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	**2011**	**Recognition**	**Realization**	**2012**
Tax loss carryforwards	351,772	10,393	(302,639)	59,526
Allowance for loan losses	76,033	104,358	(34,711)	145,680
Marked-to-market evaluation of securities and derivatives	2,414	936,544	(774,486)	164,472
Interest on equity	620,412	84,247	(154,108)	550,551
Goodwill on the acquisition of investment	71,122	(2,797)	-	68,325
Tax contingencies and provision for suspended-payment taxes	129,049	41,365	-	170,414
Taxes on foreign gains	-	198,049	-	198,049
Other temporary differences	137,101	146,653	(90,667)	193,087
	1,387,903	1,518,812	(1,356,611)	1,550,104

(In thousands of reais)

Income tax and social contribution	**2011**	**Recognition**	**Realization**	**2012**
Tax loss carryforwards	166,030	189,564	(3,822)	351,772
Allowance for loan losses	67,680	73,788	(65,435)	76,033
Marked-to-market evaluation of securities and derivatives	10,131	445,805	(453,522)	2,414
Interest on equity	457,631	536,182	(373,401)	620,412
Goodwill on the acquisition of investment	52,929	18,193	-	71,122
Tax contingencies and provision for suspended-payment taxes	104,474	24,575	-	129,049
Other temporary differences	64,878	82,692	(10,469)	137,101
	923,753	1,370,799	(906,649)	1,387,903

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

Description	**Tax credits on temporary differences**	**Tax loss carry forwards**	**Total**
2013	535,927	185,228	721,155
2014	224,986	72,347	297,333
2015	212,784	-	212,784
2016	207,553	-	207,553
2017 onwards	111,279	-	111,279
Total	1,292,529	257,575	1,550,104
Present value	1,085,688	235,163	1,320,851

23. Shareholders equity

a. Capital

As at December 31, 2012, fully subscribed and paid in capital consists of 2,714,902,212 shares (2011 – 2,400,000,000), of which 1,390,671,404 commom shares (December 31, 2011 – 1,200,160,000), 508,380,404 class A preferred shares (December 31, 2011 – 298,445,596) and 815,850,404 class B preferred shares (December 31, 2011 – 901,394,404), all no-par, registered shares.

In the special shareholders meeting held on December 31, 2011 approved the capital increase of R$ 271,150 without issuance of shares. This decision was approved by BACEN on April 16, 2012.

In the special shareholders meeting held on April 02, 2012 the capital increase was approved without an issuance of shares in the total amount of R$ 650,000 through the incorporation of the statutory reserve. In the board of directors meeting held on April 24, 2012 was approved (i) the capital increase of R$ 2,070,000 was approved through the issuance of 82,800,000 commom shares and 165,600,000 class A preferred shares and (ii) conversion of 85,544,000 Class B preferred shares into common shares. These decisions were approved by the central bank on June 29, 2012.

In the meeting of the Board of Directors held on November 13, 2012 approved the capital increase of R$ 391,875, through the issuance of 19,865,336 common shares and 39,730,672 preferred class A shares. This decision was approved by the Brazilian Central Bank on December 17, 2012. In addition, the Bank recognized R$ 55,213 as additional paid-in capital.

In the meeting of the Board of Directors held on December 20, 2012, approved a capital increase of R$ 52,488, through the issuance of 2,302,068 common shares and 4,604,136 preferred shares class A. This decision is currently pending approval by the Central Bank.

(In thousands of reais)

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

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

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

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

The shares movement on exercise are presented below:

Banco BTG Pactual	**Quantity**			
		Preferred		
	Commom	**Class A**	**Class B**	**Total**
Outstanding at December 31, 2011	1,200,160,000	298,445,596	901,394,404	2,400,000,000
Capital increase	104,967,404	209,934,808	-	314,902,212
Conversion of shares	85,544,000	-	(85,544,000)	-
Outstanding at December 31, 2012	1,390,671,404	508,380,404	815,850,404	2,714,902,212

b. Legal reserve

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

c. Statutory reserve

In outstanding with the bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of the capital.

d. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

e. Profit distribution

(In thousands of reais)

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

On June 30, 2012 the Bank has provisioned R$ 181,610, relating to dividends and R$ 220,000, related to interest on capital, which generated R$ 88,000 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 8, 2012 and paid on August 22, 2012.

On December 31, 2012 the Bank has provisioned R$ 220,000, related to interest on capital, which generated R$ 88,000 of tax benefit and R$ 192,285, relating to dividends. These amounts were approved in the Special Shareholders' Meeting held on December 19, 2012 and February 19, 2013, respectively.

24. Earnings per share

Income per share basic and diluted is calculated dividing the net income by weighted average shares outstanding during the year. In December 31, 2012 and 2011 there were no events that case dilution.

	2012	2011
Net income	2,154,126	1,339,564
Weighted average per thousand shares outstanding for the year	2,576,108,185	2,400,000,000
Earnings per share – básic and diluted - R$	0.84	0.56

25. Net interest income and net gains on financial instruments

a. Net interest income

Interest revenues recorded in the consolidated income statement comprise interest accrued over the year on all assets with implicit or explicit return calculated based on the effective interest method regardless of the respective fair values. Interest is recognized at gross value without deduction of withholding taxes.

Interest expenses recorded in the consolidated income statement comprise interest accrued over the year on all financial liabilities with implicit or explicit return, including compensation in cash calculated based on the effective interest method regardless of the respective fair values.

Interest revenues	2012	2011
Other loans and receivables	1,233,407	943,108
Open market funding and held-to-maturity financial assets	2,413,590	2,128,329
Income from compulsory investments	223,517	41,096
	3,870,514	3,112,533

Interest expense	2012	2011
Open market funding	(2,423,048)	(2,050,320)
Time deposits	(803,652)	(903,254)
Interbank deposit	(63,117)	(48,969)
Notes issued	(797,729)	(495,915)
Borrowings and loans	(358,698)	(467,523)

(In thousands of reais)

	(4,446,244)	(3,965,981)

b. Net gains on financial instruments

	2012	2011
Derivatives	266,163	10,985
Financial assets and liabilities at fair value through profit and loss	3,814,897	1,895,018
	4,081,060	1,906,003

26. Income from services rendered

This revenue comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those comprising the effective interest rate on financial instruments, such amounts are as follows:

	2012	2011
Management and performance fee from investment funds and portfolios	1,237,799	511,447
Brokerage	167,980	107,660
Technical services	485,523	415,840
Commission on the placement of securities	79,837	-
Guarantees	116,157	-
Other services	21,550	52,168
	2,108,846	1,087,115

27. Other operating income / (expenses)

	2012	2011
Adjustment to inflation of court deposits	32,173	70,675
Indemnities	6,242	-
Reversal of provision – employees' profit sharing	9,376	-
Reversal of allowances - other	6,299	15,272
Reversal of provision - contingencies	6,896	-
Income from sale of investment	(12,002)	9,217
Credit recovery	3,739	5,695
Expenses with taxes adjusted for inflation	(1,351)	(4,407)
Reimbursement of clients	(1,063)	-
Exchange rate variation	-	(8,131)
Adjustment of amounts payable for acquisition of investments(i)	(54,121)	-
Impairment of goodwill	(46,927)	-
Foreign exchange	(4,157)	-
Other provision	(10,680)	(30,724)
Other income	(56,358)	3,581
	(121,934)	61,178

(In thousands of reais)

28. Other administrative expenses

	2012	2011
Outsourced services and consulting	(262,403)	(120,830)
Telecommunications and data proc	(115,989)	(87,045)
Leases and condominiums	(60,756)	(23,336)
Travel and Lodging	(47,976)	(28,809)
Expenses of the financial system	(32,027)	(38,392)
Advertising and Public Relations	(30,461)	(13,516)
Depreciation and amortization	(29,304)	(11,023)
Other	(57,637)	(32,511)
	(636,553)	(355,462)

29. Personnel Expenses

	2012	2011
Direct compensation	(1,381,050)	(658,058)
Benefits	(30,606)	(22,414)
Charges	(128,967)	(58,556)
Other personnel expenses	(1,532)	(1,213)
	(1,542,155)	(740,241)

30. 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, carried at arm's length, are reflected in the following accounts:

			Assets/Liabilities		Revenues/Expenses	
	Relationship	**Maturity**	**2012**	**2011**	**2012**	**2011**
Assets						
Short-term interbank investments						
Interbank investments deposits						
- Banco Panamericano S.A.	Jointly controll	1/28/2013	1,203,256	500,504	25,184	2,128
Derivative financial instruments						
- BTG Investments LP (i)	Related	-	-	81,334	-	76,608
Income receivables						
- BTG Pactual Absolute Master Fund (i)	Related	No maturity	37,363	-	217,837	23,898
Sundry						
- BTG Alpha Investment LLC (ii)	Related	No maturity	54,385	-	-	-
- Max Casa XIX Empreendimentos Imobiliários S.A.	Related	No maturity	5,453	4,936	-	-
- ACS Omicron Empreendimentos imobiliários S.A.	Related	No maturity	1,187	12	-	-
- Warehouse 1 Empreendimentos imobiliários S.A.	Related	No maturity	432	432	-	-
Liabilities						
Deposits						
Demand deposits						
- BTG Pactual Mining S.A. (i)	Related	No maturity	(100)	-	-	-
- BTG Pactual Reinsurance Holdings LP (i)	Related	No maturity	(961)	(939)	-	-
- Partners	Key person	No maturity	-	(449)	-	-
Time deposits						
- BTG Holding S.A.	Parent	11/14/2013	(24,240)	-	-	-
- BTG Pactual Europe LLP (i) (iii)	Related	No maturity	(74,835)	-	-	-
	Related	No maturity	(2,768)	(249)	-	-

(In thousands of reais)

	Relationship	Maturity	Assets/Liabilities 2012	Assets/Liabilities 2011	Revenues/Expenses 2012	Revenues/Expenses 2011
- BTG Pactual Proprietary Feeder (1) Limited (i) (iii)						
- BTG Investments LP (i) (iii)	Related	No maturity	(10,869)	(2,120)	-	-
- BTG MB Investments LP (ii) (iii)	Related	No maturity	(2,130)	(9,425)	-	-
- BTG Pactual Absolute Master Fund (i)	Related	No maturity	(2,821)	-	-	-
- BTG Equity Investments LLC (i)	Related	No maturity	(6,615)	(194)	-	-
- BTG Alpha Investments LLC (ii)	Related	No maturity	(1,499)	(1,029)	-	-
- BTG Pactual Beta Participações S.A. (ii)	Related	12/23/2013	(1,979)	(1,459)	-	(168)
- BTG Pactual Pharma Participações S.A. (ii)	Related	11/22/2013	(388)	(1,702)	-	(272)
Open market funding						
Own portfolio						
- Banco Panamericano S.A.	Jointly controll	-	-	(629,374)	-	(29,656)
Third-party portfolio						
- Banco Panamericano S.A.	Jointly controll	1/2/2013	(6,002)	(9,999)	-	-
Funds from securities issued and accepted						
Real Estate Bills						
- Partners	Key person	4/5/2013	(30,711)	-	-	-
Derivative financial instruments						
- Leblon Investment Fund Ltd.	Related	4/1/2013	(22,325)	-	-	-
- Banco Panamericano S.A.	Jointly controll	4/22/2020	(101,783)	-	-	-
Other obligations						
Securities trading and brokerage						
- BTG Investments LP (i)	Related	-	(19,219)	(69,420)	-	-

(i) Subisidieries of BTG Pactual Participations Ltd.
(ii) Subsidiaries of BTG MB Investments, LP.
(iii) Classified as Demand deposits until December 31, 2011.

Transactions with related parties have no guarantees given and received (2011 – R$ 69,420). Additionally, the Bank did not record any allowance or provision for doubtful debts for the years ended December 31, 2012 and 2011.

As of December 31, 2012 the bank holds trading securities, issued by third parties, which are backed by guarantees issued by BTG Investments, LP in the approximately amount of R$ 500 million.

Total compensation paid to key management personnel totaling this period R$ 86,854 (2011 – R$ 2,961) which is considered short term benefit.

31. Other information

a. Deposits

The interbank deposits and time deposits issued at market rates had the following weighted average maturities:

	2012	2011
Interbank deposits	155	143
Time deposits	382	408

(In thousands of reais)

b. Cash and cash equivalents

	2012	2011
Cash and balances at Central Bank	551,940	517,305
Amounts receivable from banks		
Interbank deposits	1,203,256	503,053
Overnight investments	510,875	42,143
Open market investments	15,179,462	11,424,916
Balances at the end of	17,445,533	12,487,417

c. Commitments and responsabilities

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

	2012	2011
Co-obligation and risks for guarantees granted	7,422,378	5,278,935
Responsibility for the management of futures and investment portfolio (i)	167,250,732	34,477,778
Securities under custody	291,395,585	142,531,821
Securities trading and brokerage	2,255,008,913	857,584,457
Loans contract to release	2,681,347	-

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

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

The item "Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

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

The item "Loans contracted to release" register amounts related to laons contracted with clients to release.

(In thousands of reais)

d. Statement of value added

Although not required by IFRS, the Statement of value added below is complementary information to meet the rules from CVM.

	2012	2011
Income	9,586,431	6,386,130
Financial brokerage	4,528,799	1,906,003
Services rendered	3,422,775	3,112,533
Allowance for loan losses and other receivables	(468,297)	(30,022)
Other	2,103,154	1,397,616
Expenses	(4,446,244)	(3,965,981)
Financial brokerage	(4,446,244)	(3,965,981)
Inputs acquired from third parties	(546,494)	(312,055)
Materials, energy and other	(8,072)	(8,386)
Outsourced services	(538,422)	(303,669)
Gross value added	4,593,693	2,108,094
Depreciation	(13,933)	(20,071)
Amortization	(15,371)	-
Net value added produced by the entity	4,564,389	2,088,023
Value added received through transfer	283,735	85,466
Equity in the earnings of associated companies	283,735	85,466
Value added to be distributed	4,848,124	2,173,489
Distribution of value added	(4,848,124)	(2,173,489)
Personnel	(1,425,502)	(740,241)
Direct compensation	(1,382,579)	(659,776)
Benefits	(30,613)	(22,319)
FGTS – government severance pay fund	(12,310)	(11,357)
Other	-	(46,789)
Taxes, fees and contributions	(1,206,742)	(70,346)
Federal	(1,125,599)	(18,503)
Municipal	(81,143)	(51,843)
Remuneration of third party capital	(60,755)	(23,336)
Rent expenses	(60,755)	(23,336)
Remuneration of shareholders	(2,155,125)	(1,339,566)
Interest on equity	(440,000)	(319,000)
Dividends	(373,895)	(692,000)
Retained earnings	(1,320,094)	(323,606)
Non-controlling interest	(21,136)	(4,960)

32. Subsequent events

On January 22, 2013, the Brazilian Central Bank approved the capital increase deliberated on the Board of Directors held on December 20, described on Note 19 (a).

On January 30, 2013, the Bank signed definitive agreements related to its acquisition of certain credits and rights held by Fundo Garantidor de Créditos - FGC ("FGC") against Banco Bamerindus do Brasil S/A, in Extrajudicial Liquidation (the "Institution"), and other companies in the Institution's economic group ("Transaction") In connection with the Transaction, BTG Pactual will pay approximately R$418 million to the FGC in five installments, the first of which will be paid at the closing of the Transaction and the other four on the first through fourth anniversary of the closing. The four installments will be adjusted. Consummation of the Transaction is subject the termination of the process complete the extrajudicial liquidation of the Institution and its subsidiaries, and the settlement of certain of of their financial obligations, resulting in positive shareholders' equity. The Institution's assets do not include the Bamerindus brand.

This transaction will result in BTG Pactual acquiring (i) control of the Institution and its subsidiaries, (ii) an interest in the Institution greater than 98% (ninety-eight percent) of its total and voting capital, and (iii) the receivables and assets held by the Institution, which will be used in BTG Pactual credit operations context. The consummation of the Transaction is subject to certain conditions, including obtaining all required regulatory approvals.

On January 10, 2013 the Bank issued senior notes totaling US$1,000,000 at a fixed coupon of 4% and maturing in January 2020. Interest on the Senior Notes will be due every six months, in January and July.

Consolidated financial statements in IFRS
Banco BTG Pactual S.A

December 31, 2011 and 2010
with independent auditors' report

BANCO BTG PACTUAL S.A.

Consolidated financial statements

December 31, 2011 and 2010

Table of Contents

A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in Brazilian currency and in accordance with IFRS

Independent auditors' report

To the Board of Directors and Shareholders
Banco BTG Pactual S.A.

We have audited the accompanying consolidated financial statements of Banco BTG Pactual S.A., which comprise the consolidated balance sheet as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated cash flows statements for the two years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banco BTG Pactual S.A. as of December 31, 2011 and 2010 and January 1, 2010 and of its financial performance, changes in its shareholders’ equity and its cash flows for the two years then ended on December 31, 2011 and 2010 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board – IASB.

Emphasis

As mentioned in Note 29 of its financial statements, as of December 31, 2011 the jointly controlled subsidiary Banco Panamericano S.A. regulatory operating limits are not in compliance with those required by the Central Bank of Brazil. During 2011, funds amounting to R$ 1,300 million were contributed by the shareholders and a shareholder’s deposit was also made in the amount of R$ 620 million. Additionally, in January 2012 a capital increase of up to R$ 1,800 million was approved, of which R$ 972 million were subscribed for and paid on January 31, 2012.

As of December 31, 2011, jointly controlled subsidiary Banco Panamericano S.A. has income and social contribution tax credits amounting to R$ 2,575 million, recognized on the basis of financial projections and business plan reviewed and approved by its Board of Directors, which comprise a study of the current environment and future scenarios of assumptions used in these projections. The realization of these tax credits depends on delivery of these projections and business plan as approved by the management bodies of Banco Panamericano S.A.

Rio de Janeiro, April 2, 2012

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A.

Consolidated balance sheets
December 31, 2011 and 2010
(In thousands of Reais)

Assets	**Note**	**12/31/2011**	**12/31/2010**	**01/01/2010 (i)**
Cash and balances at Central Bank	8	1,391,359	1,622,522	87,506
Amounts receivable from banks	9	958,600	86,740	565,860
Financial instruments				
Open market investments	10	10,895,830	1,854,034	6,955,137
Derivative financial instruments	11	3,271,943	3,329,728	1,645,573
Financial Assets held for trading	11	36,291,846	34,582,763	4,945,867
Held-to-maturity financial assets	11	3,788,487	-	-
Financial assets at fair value through profit and loss	11	7,728,606	23,269,811	3,625,258
Loans and receivables	12	8,278,513	4,238,261	1,197,555
Deferred tax assets	16	1,387,903	923,753	1,144,723
Other assets	13	6,900,907	2,746,465	1,616,476
Investment in associates and jointly controlled entities	14	733,339	-	-
Property, plant and equipment	16	58,403	197,883	30,518
Intangible assets		706,323	198,695	21,650
Total assets		**82,392,059**	**73,050,655**	**21,836,123**
Liabilities				
Amounts payable to banks	9	576,405	338,891	217,776
Financial Instruments				
Open market funding	10	29,949,155	30,800,201	7,475,138
Derivative financial instruments	11	3,178,170	3,382,596	1,702,587
Financial liabilities held for trading	11	13,215,357	19,053,092	2,402,795
Financial liabilities carried at amortized cost	11	22,850,785	11,891,944	5,696,420
Tax liabilities	17	759,940	570,015	411,325
Other liabilities	18	5,316,762	1,476,234	741,536
Total liabilities		**75,846,574**	**67,512,973**	**18,647,577**
Shareholders' equity	21			
Capital stock		3,242,500	2,971,350	555,007
Capital reserves		-	-	7,079
Income reserves		3,034,908	2,711,304	906,465
Retained earnings		-	-	1,851,366
Foreign currency translation reserve		55,870	(144,972)	(131,371)
Total shareholders' equity of controlling shareholders		6,333,278	5,537,682	3,188,546
Non-controlling interest		212,207	-	-
Total shareholders' equity		**6,545,485**	**5,537,682**	**3,188,546**
Total liabilities and shareholders' equity		**82,392,059**	**73,050,655**	**21,836,123**

(i) Amended as described in note 2.5.

The notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A.

Consolidated income statement
For the year ended December 31, 2011 and 2010
(In thousands of Reais, except earnings per share)

	Note	2011	2010
Interest income		3,112,533	1,789,379
Interest expense		(3,965,981)	(1,987,336)
Net interest income	23	(853,448)	(197,957)
Net gains on financial instruments	23	1,906,003	1,277,116
Net exchange variations		249,323	68,760
Fees and commissions	24	1,087,115	798,819
Share of profit of associates and jointly controlled entities	14	85,466	-
Other operating income	27	61,178	151,706
Net revenues		2,535,637	2,098,444
Administrative expenses	26	(355,462)	(255,204)
Personnel expenses	25	(740,241)	(457,140)
Provisions for credit losses	12	(30,022)	(7,030)
Tax charges (non income tax)		(290,545)	(183,945)
Income before taxes and profit sharing		1,119,367	1,195,125
Income tax and social contribution	20	220,197	(379,575)
Net income for the year		**1,339,564**	**815,550**
Net income attributable to controlling shareholders		1,334,604	815,550
Net income attributable to noncontrolling interests		4,960	-
Earnings per share –basic – In Reais	22		
Common shares		0.56	0.41
Preferred shares		0.56	0.41
Earnings per share – diluted – In Reais	22		
Common shares		0.56	0.41
Preferred shares		0.56	0.41

The notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A.

Consolidated comprehensive income statement
For the year ended December 31, 2011 and 2010
(In thousands of Reais)

	2011	2010
Net income for the year	1,339,564	815,550
Other recognized income (expenses)		
Exchange differences on translation of foreign operations	200,842	(13,601)
Total comprehensive income for the year	1,540,406	801,949
Attributable to controlling shareholders	1,535,446	801,949
Attributable to noncontrolling shareholders	4,960	-
	1,540,406	801,949

The notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A.

Statement of changes in shareholders' equity
For the year ended December 31, 2011 and 2010
The notes are an integral part of the financial statements.

	Capital stock	Capital Increase	Capital Reserves	Income reserves			Total income reserves	Other comprehensive income–exchange variation on investments	Retained earnings	Total controlling shareholders	Total Non-controlling Shareholders	Total
				Legal	Unrealized	Statutory						
Balances as of January 1, 2010	555,007	-	7,079	111,002	276,041	519,422	906,465	(131,371)	1,851,366	3,188,546	-	3,188,546
Distributed dividends (R$ 0.30 per share)	-	-	-	-	-	-	-	-	(373,637)	(373,637)	-	(373,637)
Capital Increase	2,416,343	-	(7,079)	-	-	-	-	-	-	2,409,264	-	2,409,264
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(13,601)	-	(13,601)	-	(13,601)
Establishment of reserves	-	-	-	-	-	1,477,729	1,477,729	-	(1,477,729)	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	815,550	815,550	-	815,550
Transfer to legal reserve	-	-	-	39,773	-	-	39,773	-	(39,773)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	93,039	93,039	-	(93,039)	-	-	-
Unrealized income	-	-	-	-	194,298	-	194,298	-	(194,298)	-	-	-
Dividend paid as interest on own capital	-	-	-	-	-	-	-	-	(15,440)	(15,440)	-	(15,440)
Distributed dividends (R$ 0.20 per share)	-	-	-	-	-	-	-	-	(473,000)	(473,000)	-	(473,000)
Balances as of December 31, 2010	2,971,350	-	-	150,775	470,339	2,090,190	2,711,304	(144,972)	-	5,537,682	-	5,537,682
Distributed dividends (R$ 0.14 per share)	-	-	-	-	-	(557,000)	(557,000)	-	-	(557,000)	-	(557,000)
Capital Increase	-	271,150	-	-	-	-	-	-	-	271,150	-	271,150
Transfer to retained earnings	-	-	-	-	(56,492)	-	(56,492)	-	56,492	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	200,842	-	200,842	-	200,842
Net income for the year	-	-	-	-	-	-	-	-	1,334,604	1,334,604	4.960	1,339,564
Transfer to legal reserve	-	-	-	74,061	-	-	74,061	-	(74,061)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	863,035	863,035	-	(863,035)	-	-	-
Acquisition of subsidiaires	-	-	-	-	-	-	-	-	-	-	207.247	207,247
Dividend paid as interest on own capital	-	-	-	-	-	-	-	-	(319,000)	(319,000)	-	(319,000)
Distributed dividends (R$ 0.06 per share)	-	-	-	-	-	-	-	-	(135,000)	(135,000)	-	(135,000)
Balances as of December 31, 2011	2,971,350	271,150	-	224,836	413,847	2,396,225	3,034,908	55,870	-	6,333,278	212,207	6,545,485

The notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A.

Statement of cash flows
For the year ended December 31, 2011 and 2010

	2011 (i)	2010 (i)
Operating activities		
Net income for the year	1,339,564	815,550
Adjustments to net income	(479,692)	232,710
Depreciation and amortization	20,071	11,740
Non-controlling interest	(4,960)	-
Share of profit of joint ventures	(85,466)	-
Movement in deferred tax assets	(409,337)	220,970
Adjusted net income for the year	859,872	1,048,260
Net (increase) decrease in operating assets		
Reserves at Central Bank of Brazil	(774,345)	(99,709)
Amounts receivable from banks	(342,588)	(116,290)
Open market investment	1,650,862	6,276,557
Derivative financial instruments	229,363	(1,575,979)
Financial assets held for trading	(2,456,609)	(29,565,212)
Held-to-maturity financial assets	(3,788,487)	-
Financial assets at fair value through profit and loss	(1,149,161)	(11,082,996)
Loans and receivables	(4,131,584)	(2,734,695)
Other assets	(3,948,344)	(1,265,511)
Net increase (decrease) in operating liabilities		
Amounts payable from banks	543,491	(7,614)
Open market funding	(829,208)	23,328,061
Derivative financial instruments	(349,562)	1,571,499
Financial liabilities held for trading	(5,837,735)	16,650,297
Tax liabilities	174,606	(68,516)
Other liabilities	3,436,378	781,096
Cash provided / (used) by operating activities	(16,713,051)	3,139,248
Investment activities		
Acquisition of property, plant and equipment in use	(198,886)	(174,122)
Disposal of property, plant and equipment in use	34,063	-
Acquisition of investment	(12,709)	-
Acquisition of intangible assets	(78,108)	(6,558)
Business combination, net of cash aquired	(101,124)	(83,932)
Cash used in investment activities	(356,764)	(264,612)
Financing activities		
Increase in capital	271,150	2,409,264
Financial liabilities carried at amortized cost	11,371,712	6,174,020
Dividend paid as interest on paid own capital	(319,000)	(15,440)
Distributed dividends	(692,000)	(846,637)
Cash from financing activities	10,631,862	7,721,207
Decrease/Increase in cash and cash equivalents	(6,437,953)	10,595,843
Balance of cash and cash equivalents		
At the beginning of the year	18,925,370	8,329,527
At the end of the year	12,487,417	18,925,370
Decrease/Increase in cash and cash equivalents	(6,437,953)	10,595,843

Suplementary information (ii)		
Tax paid	101,018	127,967
Non-cash itens		
Investment and other acquisition	1,127,593	-
Business combination	-	77,850

(i) Amended as described in note 2.5
(ii) Amounts related to interest paid and received are not presented, since all operations of the bank, are basically interest related.

The notes are an integral part of the financial statements.

1. Operating context

Banco BTG Pactual S.A. (Bank) is organized as a multiple bank, acting together with its controlled companies, offering financial products and services related to the commercial loan portfolios, including foreign exchange, investment, credit, financing and investment, leasing and housing credits.

The transactions are conducted in the context of a set of companies that operate in an integrated financial market, and certain operations have the intermediation of other companies that are part ofthe BTG Group.

On November 10, 2011, the Brazilian Securities and Exchange Commission (CVM) granted to the Bank a registration as a publicly-held company within category A.

Corporate reorganizations

On April 26, 2010, in order to simplify the corporate structure of the Bank with the consequent reduction of financial and operating costs, the Bank merged with its parent company BTG Pactual Investimentos S.A., at the carrying value of its assets, on March 31, 2010, without resulting in a capital increase in the bank. However, the transaction generated a tax credit of R$ 87,183, recognized based on the goodwill previously recorded by BTG Pactual Investimentos S.A.This transaction was approved by BACEN on December 21, 2010.

On June 15, 2011, the subsidiary of BTG Pactual Banking Limited, located in the Cayman Islands, was transformed into the Bank's branch.

On July 27, 2011, the Central Bank of Brazil (*Banco Central do Brasil*, Bacen) approved the indirect acquisition by the Bank of the shares representing the total capital of (i) BTG Pactual Asset Management Corp USA, established in New York, USA; (ii) BTG Pactual Asia Ltd, domiciled in Hong Kong, China; (iii) BTG Pactual Capital Corp USA, incorporated in Delaware, USA; (iv) BTG Pactual Global Asset Management Ltd, domiciled in Bermuda; (v) BTG Pactual Carry LP, domiciled in George Town, Ilhas Cayman, (vi) and of 99,3% of shares representing the capital BTG Pactual Europe LLP, domiciled in London, UK. These transactions were approved in the Ordinary General Shareholders Meeting held on August 31, 2011, Previously, the controlling company of such companies was BTG Investments LP. As they are companies belonging to the same economic group, no gain or loss was recorded in these transactions.

On December 14, 2011 the merger of BTG Pactual Participações II S.A. by the Bank was approved, without resulting in a capital increase of the Bank.

On December 31, 2011, as part of the BTG Group's restructuring process, the Bank proceeded with the merger with the investor holding company Copacabana Prince Participações S.A. As a result of such transaction, R$ 481,369 were accounted relating to the tax benefit relating to goodwill previously recognized by Copacabana Prince.

Acquisitions

On September 20, 2010, the Bank acquired all Coomex Empresa Operadora do Mercado Energético Ltda. shares, which operates and has a position in the national power industry in marketing and rendering specialized energy services. The acquisition constitutes an important step taken by BTG Pactual in the merger of a physical and financial trading structure of commodities and expands the energy product mix offered to its clients. After the aquisition the company name was altered to BTG Pactual Empresa Operadora do Mercado Energético Ltda.(Coomex).

On September 2011, the full subsidiary, Coomex proceeded with the reverse merger with its controlled company BTG Pactual Agente Comercializador de Energia Ltda. As a result, the Group registered a tax benefit of R$ 54,813.

On May 27, 2011, the Bank acquired all shares of Silvio Santos Group in Banco Panamericano S.A. (Panamericano), representing 37,64% of the retail institution, resulting from an interest of 51% in ordinary shares and 21,97% in preferred shares, Upon conclusion of this transaction and the corresponding BACEN approval, the Bank and the Caixa Econômica Federal (CEF), now have joint control over Panamericano, as defined by shareholders agreement.

On June 17, 2011, Banco BTG Pactual S.A. presented to the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, CVM), a request for registration of the tender offer of preferred shares issued by Panamericano to the remaining shareholders, for the same price paid for the share to the previous controlling shareholder. As the necessary minimum number of participants did not enroll in the tender offer program, it was terminated.

On November 22, 2011, an agreement between the Bank and WTorre Properties S.A. ("WTorre") was concluded. Following this agreement, the Bank now holds, indirectly through its subsidiary Saíra Diamante S.A., a 49,99% interest in One Properties S.A. (previously referred to as WTorre). In this transaction, Saíra contributed R$ 627,452 in assets, originally held by the Bank, to the joint venture at market value.

Approval of financial statements

The consolidated financial statements for the year ended December 31, 2011 were approved by the Directors on April 2, 2012.

2. Presentation of the financial statements

2.1. Compliance with IFRS

The Bank's consolidated financial statements were prepared in accordance with International Accounting Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The Bank's consolidated financial statements are the first prepared in compliance with International Financial Reporting Standards (IFRS), as well as with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the transition date is January 1, 2010.

The reconciliations between net assets calculated in accordance with accounting practices in Brazil applicable to the financial institutions authorized to operate by BACEN and IFRS on December 31, 2011 and 2010 and January 1, 2010, as well as net income reconciliations for the years ended on December 31, 2011 and 2010, are presented in Note 5.

2.2. Basis for preparation

The consolidated financial statements were prepared based on historical cost, excluding (i) financial instruments held for trading, (ii) derivative financial instruments, (iii) financial instruments available for sale, and (iii) financial instruments allocated at the fair value through profit and losss, which were all measured at the fair value.

The Bank's functional currency is the Brazilian Real, which is also the presentation currency of the consolidated financial statements. The functional currency of subsidiary companies in Brazil is the Brazilian Real and of the subsidiary companies abroad is the currency of the economic environment in which these companies operate. The foreign exchange effects of the conversion of foreign subsidiaries is recorded in the statement of other comprehensive income, as well as hedge transactions, when applicable.

2.3. Judgments and significant accounting estimates

In the process of preparing the Bank's consolidated financial statements. Management exercised judgment and used estimates to calculate certain amounts recognized in the financial statements. The more material application of the exercise of judgment and use of estimates occurs in:

Going concern

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.

Fair value of the financial instruments

When the fair value of financial assets and liabilities accounted in the balance sheet may not be derived from an active market, it is determined by using several valuation methodologies that include the use of mathematic models. The inputs of these models are derived from observable data of the market whenever possible, but, when market data are not available, judgment is required to establish the fair value. The judgments include liquidity considerations and variable models such as volatility of long-term derivatives and discount rates, prepayment fees and assumptions on default of bonds containing assets as guarantee.

Impairment losses regarding loans and receivables

The Bank and its subsidiaries review individually significant loans and receivables on each balance sheet date to evaluate if impairment losses must be recorded in the income statement. Management's judgement is required to estimate the value and timing of cash flows in order to determine impairment losses. To estimate these cash flows, the Bank and its subsidiaries make judgments with respect to client's financial condition and the realizable value net of any guarantee. These estimates are based on assumptions involving several factors and, for this reason, the actual results may vary, creating future changes in the provision.

Impairment of financial assets available for sale and held to maturity.

The Bank and its subsidiaries review any debt instruments classified as investments available for sale or held to maturity at each financial statement date to evaluate any impairment. This requires judgments similar to the individual evaluation of loans and receivables.

The Bank and its subsidiaries also record impairment in any investments classified as available for sale or held to maturity for which there was a significant or prolonged write-off of the fair value, below its cost. The determination of what is deemed "significant" or "prolonged" requires judgment. To reach this judgment, the Bank evaluates, among others factors, the historical variation of share price, as well as the duration and extent ito which the investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

2.4. Changes to accounting practices

We list below the standards issued that had not yet come into force until the date of issuance of the Company's consolidated financial statements. This list of standards and interpretations issued includes those that the Company reasonably expected to have an impact on the disclosures, financial condition or performance through its application at a future date. The Company intends to adopt such rules when they come into force.

• **IAS 1 Presentation of Financial Statements -** Presentation of Items of Other Comprehensive Income. This amendment shall become effective for annual periods beginning on or after January 1, 2012.

• **IAS 12 Income Taxes - Recovery of Underlying Assets -** This amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that the deferred tax on investment property measured at fair value model in IAS 40 should be set based on the fact that their carrying amount will be recovered through the sale. This amendment becomes effective for annual periods beginning on or after January 1, 2012.

• **IAS 27 Consolidated and Separate Financial Statements (revised 2011)**
As a result of recent IFRS 10 and 12, which remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. This amendment becomes effective for annual periods beginning on or after January 1, 2013.

• IAS 28 Accounting for Investments in Associates and Joint Ventures (revised 2011)

As a result of recent IFRS 11 and IFRS 12, IAS 28 is replaced by IAS 28 Investments in Associates and Joint Ventures, and describes the application of equity method for investments in joint ventures, and investment in associates, This amendment shall become effective for annual periods beginning on or after January 1, 2013. The Company's management assessed the revision of the standard and found no impact on the financial statements.

• IFRS 7 Financial Instruments: Disclosures – Increase in the Disclosures Related to Low

This amendment requires additional disclosures about financial assets that were transferred but not derecognised in order to enable the user of financial statements understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement in financial assets written off to allow the user to assess the nature of the entity's continuing involvement in those assets disposed of, as well as the associated risks.

This amendment shall become effective for annual periods beginning on or after July 1, 2011. The amendment in question affects only disclosures and has no impact on performance or financial condition. The Bank's management assessed the revision of the standard and do not expect significant impact on the financial statements.

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on replacement of IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be terminated at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Bank, but will not bring potential impacts on the classification and measurement of financial liabilities. The Bank will quantify the effect of this amendment in conjunction with other phases, when issued.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the points raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Bank's management assessed the revision of the standard and found no impact on the financial statements.

(In thousands of Reais)

The IFRS 10 establishes a single model for consolidation based on control that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require the administration to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Agreements

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

• IFRS 13 - Fair Value Measurement

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

2.5. Amendment of the financial statements

Balance sheet

Subsequent to the issuance of the Bank's financial statements for the year ended December 31, 2011, the Bank's management reviewed the classification of certain assets and liabilities for January 1, 2010. The bank made the reclassification described below. There were no changes to the total assets, shareholders' equity and total liabilities.

Assets	**01/01/2010**	**Amendment**	**01/01/2010 Amended**
Financial instruments			
Open market investments	8,115,873	(1,160,736)	6,955,137
Financial assets at fair value through profit and loss	2,464,522	1,160,736	3,625,258
Loans and receivables	1,409,594	(212,039)	1,197,555
Other assets	1,404,437	212,039	1,616,476
Net effect on total assets	**-**	**-**	**-**
Liabilities			
Tax liabilities	638,531	(227,206)	411,325
Other liabilities	514,330	227,206	741,536
Net effect on total liabilities	**-**	**-**	**-**

(In thousands of Reais)

Cash Flow

Subsequent to the issuance of the Bank's financial statements for the year ended December 31, 2011, the Bank's management reviewed its cash flow statements, and basically reclassified amounts regarding: (i) effect of business combination on cash flows, (ii) effect on changes on liabilities carried at amortized cost and (iii) classification of cash and cash equivalent amounts.

	31/12/2011	2011 Amended	31/12/2010	2010 Amended
Cash provided by operating activities	1,259,475	(16.713.051)	3,393,403	3,139,248
Cash used in investment activities	(1,121,558)	(356,764)	(356,150)	(264,612)
Cash from financing activities	(527,643)	10,631,862	7,558,590	7,721,207
Net increase / (decrease) in cash and cash equivalents	**(389,726)**	**(6.437.953)**	**10,595,843**	**10,595,843**

(In thousands of Reais)

3. Consolidated financial statements

These consolidated financial statements include Banco BTG Pactual S.A individual financial statements and those of its direct and indirect controlled companies, including investment funds.

According to IAS 31, jointly control entities can be accounted for using proportional consolidation or the equity method. The Bank has elected to use the equity method.

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Bank, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The following table lists the principal subsidiaries of the Bank, held directly and indirectly,including investment funds consolidated in the financial statements.

		Interest on total capital %		
	Country	2011	2010	01/01/2010
Direct subsidiaries				
BTG Pactual Asset Management S.A. Distribuidora de Securities	Brazil	99.99	99.99	99.99
BTG Pactual Corretora de Securities S.A.	Brazil	99.99	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99	99.99
BTG Pactual Corretora de Mercadorias Ltda.	Brazil	99.99	99.99	99.99
BTG Pactual Securitizadora S.A.	Brazil	99.99	99.99	99.99
BTG Pactual Agente Comercializador de Energia Ltda.(***)	Brazil	-	99.96	99.96
BTG Pactual Corporate Services Ltda(**)	Brazil	99.99	99.99	-
BTG Pactual Banking Limited (*)	Cayman	-	100.00	100.00
BTG Pactual Empresa Operadora do Mercado Energético Ltda - Coomex	Brazil	99.99	99.99	-
BTG Pactual Holding International S.A.	Brasil	99.99	99.99	-
BTGP Recovery Holdings S.A.	Brazil	99.99	99.99	-
BTG Pactual Overseas Corporation(**)	Cayman	100.00	100.00	100.00
BTG Pactual Vivere Participações S.A.	Brazil	99.99	-	-
BW Properties S.A.	Brazil	67.49	-	-
Saíra Diamante Empreendimentos Imobiliários S.A.	Brazil	92.00	-	-
Global Ltd	Cayman	**100.00**	-	-
Indirect subsidiaries				
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.- Coomex	Brazil	100.00	100.00	-
BTG Pactual Global Asset Management Limited	Bermuda	100.00	-	-
BTG Pactual Europe LLP	UK	99.30	-	-
BTG Pactual Asset Management US, LLC	USA	100.00	-	-
BTG Pactual US Capital, LLC	USA	100.00	-	-
BTG Pactual Asia Limited	UK	100.00	-	-
BTG Global Asset Management (UK) Limited	England	100.00	-	-
Recovery do Brasil Consultoria S.A.	Brazil	50.24	-	-
FC DAS S.A.	Uruguay	100.00	-	-

(In thousands of Reais)

Investment funds				
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00	-
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00	-
BTG Pactual International Port Fund SPC - CLASS C	Cayman	99.83	99.83	-
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I	Brazil	100.00	100.00	-
Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I	Brazil	100.00	100.00	100.00
BTG Pactual Vanguarda Fundo de Investimento em Participações	Brazil	92.73	92.73	92.73
BTG Pactual Saúde Fundo de Investimento em Participações	Brazil	100.00	100.00	-
Nala Fundo de Investimento em Participações	Brazil	100.00	100.00	-
BTG Pactual Global Fund	Cayman	100.00	-	-
Fundo de Invesmentimento em Direito Creditórios Multisegmento	Brazil	100.00	-	-

(*) As of June 15, 2011, a BTG Pactual Banking Limited became a branch (note 1).
(**) As of December 31, 2010, BTG Pactual Overseas Corporation was classified in the group of indirect subsidiaries.
(***) As of September, 2011 BTG Pactual Agente Comercializador de Energia Ltda was acquired by Pactual Empresa Operadora do Mercado Energético Ltda.

4. Significant Accounting Practices

The most significant accounting practices adopted by the Bank and by its direct and indirect controlled companies are the following:

a) Conversion of foreign currency

The consolidated financial statements are presented in Reais, which is the Controller's ("Bank") functional and reporting currency. Each of the entities consolidated in the financial statements determines its own functional currency, pursuant to the economic environment in which the entity operates.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the exchange rate of the functional currency in force on the date of the transaction. Exchange rate variations arising from the settlement of transactions or conversion of monetary assets and liabilities at the exchange rate of functional currency in force on the date of the balance sheet are recognized as gains or losses in the consolidated income statement.

(ii) Subsidiaries

On the base date of the financial statements, assets and liabilities of subsidiaries abroad are translated into real, by the exchange rate in force on the balance sheet date, and the income is converted to reais by the weighted average of exchange rates of the period. Exchange variations arising out of translation are recognized directly in other comprehensive income and recorded as a separate component of equity.

b) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement in "Net results with financial instruments".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value are recordeed in expenses "Net income from financial instruments". Interest revenue, expenses and dividends are registered as "Interest income" and "Interest expense", pursuant to the terms of the agreement or according to the payment agreed.

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument has one (or more) embedded derivative(s), which significantly modifies the cash flows that would be required by the agreement.

Financial assets and liability at the fair value through profit and loss are recorded in the consolidated balance sheet at the fair value. Valuation changes in the fair value are recorded as "Net results with financial instruments". Earned or incurred interest is allocated to "Interest income" or "Interest expense", respectively, using the effective interest rate method, while dividend revenues are recognized as "Other operating income" when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are transferred to the income statement, under the heading "Net results with financial instruments".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net results with financial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognised.

(viii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Bank receivables and loans and receivables

Bank receivables and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at the fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be be substantially recovered, except for reasons of credit deterioration.

After initial measurement, bank receivables and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities carried at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

c) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or
- The Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:
  - There is substantial transfer of all risks and benefits of the asset; or
  - There is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the bank and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the bank and its subsidiaries have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the bank and its subsidiaires.

(ii) Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

d) Open Market investments (repurchase and resale agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

e) Securities lending and borrowings

Transactions of securities lending and borrowings are generally secured by other bonds or by cash. The transfer of the security to the counterparty is only reflected on the balance sheet if the risks and benefits of title are also transferred. Advanced cash or cash received as guarantee is registered as an asset or liability.

Securities lending transactions are not recognized on the balance sheet, except if they have been sold to third parties and, in this case, the obligation of returning the security is registered as trading financial liability with gains or losses including in the "Net results with financial instruments ".

f) Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

g) Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(I) *Financial assets accounted at the amortized cost*

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

h) Financial instruments – Offseting

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

i) Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefit is transferred to the Bank and that the income may be reliably measured. The criteria of recognition specified as follows must be complied with before the income is recognized:

(i) Interest income and expenses

For all financial instruments measured at amortized cost, financial assets that accrue interest classified as available for sale and financial instruments designated at fair value to profit and loss, the interest income or expenses are recorded using the effective interest rate method, which is the rate that discounts the future receipts or payments estimated by the estimated life of the financial instrument, or, when appropriate, a shorter period to the net book value of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are part of the effective rate, but does not include credit losses based on future events. The measurement of the financial asset or liability is adjusted if the bank changes the payment and receipt estimates. The remeasurement adjustment is calculated based on the original interest rate and the adjustment to book value is recorded as "Other operational income (expenses)". However, for reclassified financial assets for which the bank subsequently increases its estimate of future cash receipt, the effect of the increase is recognized as an adjustment in the actual rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets are written-off due to an impairment loss, the interest income continue to be recognized by using the interest rate used to discount the future cash flow used to measure the impairment loss.

(ii) Fee and commission income

The Bank and its subsidiaries recognise fees and commission income due to several types of service that it provides to its clients. Revenue from fees can be segregated into the following categories:

Revenues with fees and commissions earned from services provided in a given period

Fees and commissions realized with provision of services throughout the period are recorded over the same period. These revenues include commission and management fees of assets, custody and other management fees, custody, and administration of investment funds.

Revenues with fees of loans in which the credit is likely to be used - and other fees related to credit - are deferred (together with any incremental costs) and recognized as an adjustment to the actual interest rate of the loan. When the use of credit from a loan is not probable, revenue of fees of loans is recognized over the period of the loan using the straight-line method.

Fees from services rendered relating to executed transactions

Fees resulting from trading or interest in trading with third parties, such as, for example, share purchase agreement or other bonds or purchase or sale of a business, are recognized at the end of a transaction. Fees or components of rates that are related to specific performance are recognized after meeting specific criteria.

(iii) Net results with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flow include cash on-hand, current accounts without restrictions and, when applicable,receivables from banks on demand or with original maturity of three months or less.

k) Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities comprise entities over which the Group has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Bank and its subsidiaries interest in the profits or losses of its associates and jointly controlled entities is recognized in the "Income from interest in associates and jointly controlled entities". Any movements in the equity reserves of these entities is recognized directly in the investment balance.

l) Property, plant and equipment

Property, plant and equipment is accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment is written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statement of income when the asset is disposed.

m) Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Any excess of the acquisition cost over the fair value of the net identifiable assets acquired is recognized as goodwill. If the acquisition cost is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

n) Intangible Assets

Intangible assets are recorded at cost and include computer software. An intangible asset is recognized only when its cost can be reliably measured and it is likely that the future economic benefits expected which are assigned to them shall be carried out. The amortization expenses of intangible assets with definite useful lives are recognized in the income statement in the expense category consistent with the function of the intangible asset.

o) Impairment of nonfinancial assets

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

p) Financial guarantees provided

In the ordinary course of business, the bank and its subsidiaries grant financial guarantees, through letters of credit, guarantees and sureties. Financial guarantees are initially recognized in the financial statements (in 'other liabilities') based on the premium amount and are amortized throughout the agreement term. Subsequent to initial recognition, liabilities are measured at the greater of the amount initially recognized less, when appropriate, the value of accumulated amortization recognized in the income, and the best estimate of the costs required to settle any financial obligation created by this guarantee.

q) Provisions

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Provisions - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

r) Taxes

Allowance for income tax and social contribution are recognized based on accounting profit, adjusted for additions and deductions provided for by tax law. Deferred income tax and social contribution are calculated on the value of temporary differences and tax loss carry forwards, and are recognized when the realization of those amounts are deemed probable. For income tax the rate used is 15% plus a 10% allowance on annual taxable income exceeding R$ 240 and 15% for social contribution.

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable tin the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date.

Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

s) Dividends and interest on shareholders' equity (ISE) of shares

Dividends and interest on shareholders' equity are recognized as a liability and deducted from the net equity when approved by the Bank's shareholders. Dividends on the interim dates are deducted from the net equity when declared and are not subject to further decision of the Bank.

t) Earnings per share

Earnings per share is calculated by dividing net income by the weighted average of common and preferred shares outstanding in each financial year. The weighted average number of shares is calculated based on the periods in which the shares were in circulation.

u) Segment Information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

The revenues are generated primarily in Brazil, where the bank's customers are located.

5. Transition to IFRS

As detailed in Note 2.1. the transition to IFRS was accounted for in accordance with IFRS 1 and the date of transition was January 1, 2010. As result, the accounting policies of the bank in these consolidated accounting statements were modified on the date of transition in order to comply with IFRS.

The changes to the accounting policies resulting from the transition to IFRS and the reconciliation of the effects of this transition are presented below. The Bank prepared its transition balance sheet on January 1, 2010, through the application of standards and accounting policies, measurement bases described in Note 4, and adopted the following exemptions and exceptions set forth in the IFRS1.

a) Business combinations

IFRS 1 allows that business combinations and past acquisitions of investments in associated companies that occurred before the transition date are not reassessed, retrospectively, through application of IFRS 3. This exemption allows the companies that adopt the IFRS for the first time, to maintain,the accounting treatment adopted in the previous accounting practice, in this case the BRGAAP, for such transactions. The bank adopted this exemption up to January 1st, 2010 and subsequently, applied IFRS 3 or IAS 28, as appropriate, for the business combinations and acquisitions of investments in associated companies that occurred after this date.

In accordance with the exemption permitted by IFRS 1, the BR GAAP accounting used for the initial recording and subsequent measurement of goodwill generated by acquisitions prior to date of transition was maintained. Intangible assets arising from acquisitions prior to date of transition were not recognized in BRGAAP.

IFRS 1 also requires that, in case the bank had not consolidated any subsidiary acquired under BRGAAP, the book values of assets and liabilities of this acquired subsidiary would be adjusted according to IFRS. However, there were no significant subsidiary acquisitions that were not consolidated under BRGAAP before the transition to IFRS.

b) Fair value as deemed cost

According to IFRS 1, an entity can, on the transition date to IFRS, measure a fixed assets item by its fair value, with this being deemed the initial cost of this asset, upon this date. The Bank has not used this exemption. The cost and accumulated depreciation of fixed assets on transition was determined based on historical cost, ascertained in BRGAAP, and adjusted for IAS 16 as necessary.

c) Allocation of financial instruments previously recognized

IAS 39 allows an entity to designate financial instruments in the category of financial assets or liabilities at fair value through profit or loss or as financial assets available for sale on the date of acquisition or issue of financial instrument. According to the exemption from IFRS 1, the designation, for the first adoption of IFRS can be made on the date of transition, even though the instrument was originally assigned to another category. The bank did not adopt the exemption allowed by IFRS 1 and did not re-designate financial assets at the date of transition, keeping the existing designation in BRGAAP on January 1, 2010.

d) Measurement of financial assets and liabilities fair value in transition date

IFRS 1 requires that an entity must apply the specific requirements of IAS 39 for fair value measurements of financial assets and liabilities at the date of transition to IFRS. IAS 39 requires that techniques for assessment of financial assets and liabilities measured at fair value, incorporating all the factors that an interested party of market would consider in determining price when economically acceptable and consistent methodologies are used for the pricing of such instruments. Additionally, IAS 39 establishes the rules for states in which an entity can recognize an initial gain or loss on the hiring of a financial asset or liability (profit or loss "Day 1"). As a result of this requirement, IAS 39 requires that a gain or loss generated on initial hiring or subsequent changes in fair value of a financial instrument, are recognized only if the methodology for calculating fair value included data and quotation observable in the market at the date of assessment of fair value.

e) De-recognition of financial assets and liabilities

IFRS 1 requires an entity applying IFRS for the first time applies the asset and liability derecognition as defined by IAS 39 prospectively to transactions occurring after January 1, 2004. Consequently, if the bank had derecognized, according to BRGAAP, a non-derivative financial asset or liability as a result of a transaction that occurred before January 1, 2004, could no longer recognize this asset or liability in the transition to IFRS. Additionally, IFRS 1 allows the application of "derecognition" standards of financial assets and liabilities retrospectively on a date chosen by the entity, provided that the information needed to apply such standards had been obtained on the date of record of the transaction that gave rise to the "derecognition".
This exemption did not impact the bank, as there were no significant assets or liabilities which were de-recognized under BRGAAP that would not have been derecognized under IFRS.

f) Estimates

IFRS 1 requires that the estimates used by Management for purposes of IFRS on the transition date are consistent with the estimates made on the same date under previous GAAP, unless there is evidence of mistakes in the preparation of the estimates.. Additionally, if Management obtains information after the transition date to IFRS that affects the estimates that have already been made pursuant to BRGAAP, it should treat this information as an event subsequent to the date of the balance sheet and continue with the accounting treatment of IAS 10, IAS 10 is applicable to the consolidated opening balance sheet and to comparative periods presented during the preparation of the first accounting statement in IFRS of an entity, if any. The Bank considered the estimates used for BRGAAP compatible with the estimates used on the transition date to IFRS and, therefore, there was no change in the estimates due to the existence of information obtained in a date subsequent to the transition that requires adjustment of estimates for purposes of IFRS.

g) Interests of non-controlling shareholders

IFRS 1 requires that the entity that applies IFRS for the first time, apply some requirements of IAS 27 prospectively to the transition date. However, these requirements did not have an impact on the Bank as it had no non controlling interest at the transition date.

h) Compound financial instruments

IAS 32 requires that compound financial liabilities have their components separated and classified as debt instruments and equity instruments. This classification is determined through the economic substance and the specific terms of these instruments on the date of its issue. IFRS 1 allows for non-separation of these two components, if the debt component is not already outstanding on the transition date. This exemption did not generate any impact for the Bank.

i) Payments based on shares

IFRS 1 does not require that the entity adopts IFRS 2 for employee stock options granted before November 7, 2002 and also for benefits granted after November 7, 2002, but whose conditions have been met before January 1, 2010. This exemption did not generated impact for the Bank, because there are no outstanding share based payment arrangements.

(In thousands of Reais)

j) Leasing

The entity that applies IFRS for the first time can choose to apply the specific transition rules of IFRIC 4 – "Determining whether an arrangement contains a lease" and may determine if there is a leasing agreement on the transition date to IFRS based on the facts and circumstances existing on the transition date. The application of IFRIC 4 does not generate impacts on BTG Pactual, because no contracts that should be recorded as a leasing agreement have been identified.

k) Reconciliation between BRGAAP and IFRS applicable to shareholder's equity

We showed below the reconciliation of shareholder's equity and net profit between the accounting practices applicable to the financial institutions authorized by the Brazilian Central Bank (BRGAAP) and IFRS on January 1, 2010 (transition date) and for the years ended December 31, 2011 and 2010:

		12/31/2011	12/31/2010	01/01/2010
	Ref.	Shareholders' Equity	Shareholders' Equity	Shareholders' Equity
Shareholders' Equity consolidated pursuant to BRGAAP		**6,551,969**	**5,602,593**	**3,244,500**
Adjustments between BRGAAP and IFRS that affect Shareholders' Equity		**(6,484)**	**(64,911)**	**(55,954)**
Fair value adjustments	(i)	2,904	10,177	(2,755)
Effective interest rate adjustments	(ii)	(36,528)	(26,791)	(25,626)
Recognition of assets sold with risk retained	(iii)	(141,277)	(105,532)	(64,878)
GAAP adjustment in jointly controlled entity	(v)	88,997	-	-
Reversal of goodwill amortization	(vi)	9,460	8,376	-
Deferred tax on IFRS adjustments	(vii)	69,960	48,859	37,305
Consolidated Shareholders' Equity in IFRS		**6,545,485**	**5,537,682**	**3,188,546**

(In thousands of Reais)

	Ref.	2011 Result	2010 Result
Consolidated net income pursuant to BRGAAP		**1,481,979**	**810,906**
Adjustments between BRGAAP and IFRS that affect Shareholders' Equity		**(142,413)**	**4,644**
Fair value adjustments	(i)	(7,275)	13,414
Effective interest rate adjustments	(ii)	(9,737)	(1,165)
Recognition of assets sold with risk retained	(iii)	(35,744)	(40,655)
Exchange differences on translation of foreign operations	(iv)	(200,842)	22,697
Reversal of goodwill amortization	(vi)	90,081	8,376
Deferred tax on IFRS adjustments	(vii)	21,102	1,977
Consolidated net income in IFRS		**1,339,564**	**815,550**
Adjustments that affect net comprehensive income			
Exchange differences on translation of foreign operations		**200,842**	**(13,601)**
Total comprehensive income for the year		**1,540,406**	**801,949**

Adoption of IFRS has not changed the Bank's statements of cash flow since under BRGAAP we are already required to apply the Brazilian equivalent of IAS 7, and there are no significant changes in the statements of cash flows prepared under BRGAAP and IFRS.

(i) Fair value adjustments

This adjustment refers to the adjustment to fair value of financial instruments of investment funds controlled by the Bank that in BRGAAP are measured at the amortized cost.

(ii) Effective interest rate adjustments

Commissions receivable relating to credit transactions valued at amortized cost were included in the calculation of the effective interest rate in compliance with IAS 39 "Financial instruments – Recognition and measurement".

(iii) Recognition of assets sold with risk retained

Under IFRS, on the sale of financial assets with retention of risks and benefits, the assets must remain recorded, and the revenues arising out of such assets recognized over the remaining term of the operations sold. In these cases the amount received on sale is recorded as a liability and costs recognized for the remaining term of the operation. Under BR GAAP, such assets are derecognised and the gain or loss on sale is recorded in the income statement immediately.

(iv) Exchange differences on translation of foreign operations

Under BR GAAP, exchange differences on translation of foreign operations are recognized in the income statement, while in IFRS these differences are recorded as a separate compaonent of shareholders' equity via other comprehensive income.

(v) GAAP adjustments in jointly controlled entity

Refers to the BR GAAP to IFRS differences between the shareholders' equity of jointly controlled entities.

(vi) Reversal of goodwill amortization

Under BRGAAP, goodwill is subject to amortization over its useful economic life. According to IAS 38, goodwill is not amortized, but tested for impairment, at least once a year, or whenever there is any indication of potential recoverable loss. Due to this difference, the value of BR GAAP goodwill amortization referring to the exercise of 2011 and 2010, was fully reversed.

(vii) Deferred income tax and social contribution

Changes in deferred income tax and social contribution represent effects of deferred tax on adjustments above.

(In thousands of Reais)

6. Business Combinations

Coomex Operadora do Mercado Energético Ltda.

On September 20, 2010, the Bank acquired through its subsidiary BTG Pactual Agente Comercializador de Energia Ltda. 99.99% of the shares of BTG Pactual Empresa Operadora do Mercado Energético Ltda – Coomex, which operates and has a leading position in the Brazil's electrical sector as an energy intermediary. The acquisition represented an important action of BTG Pactual in the consolidation of a physical and financing trading structure of commodities and improved the mix of power products offered to clients.

The fair value of identifiable assets and liabilities of the da BTG Pactual Empresa Operadora do Mercado Energético Ltda. – Coomex is as follows:

	Fair value recorded in the acquisition
Assets	
Cash and cash equivalents	21,317
Trade accounts receivable	50,227
Fair value of electric energy sales agreement	45,055
Deferred tax assets	54,813
Other assets	15,170
	186,582
Liabilities	
Trade accounts payable	(46,730)
Loans	(20,946)
Deferred tax liabilities	(15,319)
Other liabilities	(11,409)
	(94,404)
Net assets	**92,178**
Goodwill on the acquisition	90,921
Total consideration (R$ 105, 249 in cash and R$ 37,850 to be paid until 1st quarter of 2012, indexed basically to CDI, and R$ 40,000 to be paid until 1st quarter of 2013)	**183,099**

In September 2011, BTG Pactual Empresa Operadora do Mercado Energético Ltda. – Coomex performed the reverse merger of its parent company, BTG Pactual Agente Comercializador de Energia Ltda. and so confirmed the existence of deferred tax assets, of R$ 54,813, on acquisition date.

Goodwill determined based on the adjusted fair values, in the amount of R$ 90,921, represents the expected future economic benefit from the synergies in connection with the acquisition.

In 2010, the acquisition contributed a profit of R$ 16,520 for the the Bank, from the acquisition date until the end of the year. If the acquisition had occurred at the beginning of the year ended December 31, 2010, the Bank's revenue would total R$ 2,171,547 and the profit of the Bank would have been R$ 835,629.

7. Risk Management

The committee structure of the Bank allows it to engage the whole organization and ensure decisions are readily and effectively implemented.The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The Bank seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Bank foster its culture of rigorous risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

a) Operating limits

In accordance with the recommendations of the New Capital Accord (Basel II), BACEN disclosed the methodology for its calculation of Reference Equity and Required Reference Equity, as from July 1, 2008, through CMN Resolutions 3444/07 and 3490/07. In addition, Circulars 3360/07, 3361/07 to 3366/07, 3368/07, 3383/08, 3388/08 and 3389/08 of BACEN established the guidelines to determine the credit, market and operational risks.

(In thousands of Reais)

The Basel Index was calculated based on the financial statements prepared in accordance with BR GAAP, on a consolidated basis, including all the Bank's subsidiaries.

	2011	2010
Reference Equity ("PR")	8,430,976	5,567,094
Shareholders' Equity - Tier 1	6,331,062	5,602,593
Shareholders' Equity - Tier 2	3,165,531	-
Deductions from Reference Equity	(1,065,617)	(35,499)
Required Reference Equity ("PRE")	5,250,915	2,841,792
Credit risk	3,416,049	1,631,880
Market risk	1,553,458	943,183
Operating risk	281,408	266,729
Exceeding Required Reference Equity	3,180,061	2,725,302
Based Index: ("PR"x100)/"PRE"/0,11)	17.66%	21.55%

Management elected the basic indicator approach to measure the operating risk.

The limit of property, plant and equipment, as determined by CMN Resolution 2283/96, as amended by Resolution 2669/99 and with the wording of Resolutions 2743/00 and 3426/06, is also calculated on a consolidated basis considering all subsidiaries under the BR GAAP:

	2011	2010
Reference Equity	8,430,976	5,567,094
Equity securities	(6)	(4,276)
Reference Equity for limit of property, plant and equipment (Required Reference Equity)	8,430,970	5,562,818
Limit of proper, plan and equipment (50%)	4,215,485	2,781,409
Status for the limit of property, plant and equipment	3,034,871	2,256,144
Permanent assets	1,409,501	393,088
Deferred permanent assets	(8,772)	(11,073)
Equity securities	(6)	(4,276)
Intangible assets excluded from the limit of property, plant and equipment	-	(174,832)
Investment in associated companies and subsidiaries authorized to operate under BACEN	(427,132)	-
Variable income securities recorded in current assets	2,061,280	2.053,237
Margin	1,180,614	525,265

As at December 31, 2011 and 2010, all operating limits were duly complied with.

b) Market risk

Value at Risk (VaR) is a measure of the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. Along with Stress Testing, VaR is used to measure the exposure of our positions to market risk. We use historical simulation with full re-pricing of positions for the VAR computation, preserving real distributions and correlation between assets, not making use of *Greek approximations* and normal distributions. Our VaR can be measured and reported according to different time horizons, historical look-back windows and confidence levels. The accuracy of the risk system is tested through daily back-testing procedure that compares the adherence between VaR estimations and realized gains and losses.

For the VaR numbers reported below, a one-day time horizon, a 95.0% confidence level and a one-year look-back window were used. A 95.0% confidence level means that there is a 1 in 20 chance that daily trading net revenues will fall below the VaR estimated. Thus, shortfalls from expected trading net revenues on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts and they can also occur more frequently or accumulate over a longer time horizon, such as a number of consecutive trading days. Given its reliance on historical data, the accuracy of VaR is limited in its ability to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions can produce materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. As previously stated, we use "Stress Test" modeling as a complement of VaR in our daily risk management activities.

The following table contains the average daily VaR for the Group exercises, as indicated:

In R$ million	2011	2010	2009
Average daily VaR	28.4	21.5	10.3

(In thousands of Reais)

c) Credit risk

All counterparties of the Bank and its subsidiaries are subject to a strict process of credit analysis whose main purpose is to determine the payment capacity of the Bank and its subsidiaries based on simulations of cash flow, leverage and debt schedule, quality of assets, interest and working capital coverage. Qualitative aspects, such as strategic guidelines, business sector, specialization areas, efficiency, regulatory environment and market share, are always evaluated and supplement the credit analysis process. The credit limits of the counterparties of the Bank and its subsidiaries are established by the Credit Committee and are reviewed on a regular basis. The measurement and monitoring of the total exposure of the Bank and its subsidiaries to the credit risk comprise all financial instruments that generate risk against the contraparties, such as private securities, derivatives, guarantees provided and eventual risks of settlement of the operations.

The maximum exposures of the financial assets divided by geographic region are as follows:

	2011		
Assets	**Brazil**	**Foreign**	**Total**
Cash and balance at Central Bank	874,053	517,306	1,391,359
Amounts receivable from banks	916,457	42,143	958,600
Open market investment	5,926,339	4,969,491	10,895,830
Derivative financial instruments	2,011,338	1,260,605	3,271,943
Financial assets held for trading (i)	17,459,023	18,832,823	36,291,846
Held-to-maturity financial assets	3,788,487	-	3,788,487
Financial assets at fair value through profit or loss	7,728,606	-	7,728,606
Loans and receivables	7,817,130	461,383	8,278,513
Total assets	46,521,433	26,083,751	72,605,184

(In thousands of Reais)

	2010		
Assets	**Brazil**	**Foreign**	**Total**
Cash and balance at Central Bank	809,230	813,292	1,622,522
Amounts receivable from banks	86,740	-	86,740
Open market investment	1,854,034	-	1,854,034
Derivative financial instruments	1,276,498	2,053,230	3,329,728
Financial assets held for trading (i)	16,863,156	17,719,607	34,582,763
Financial assets at fair value through profit or loss	15,442,475	7,827,336	23,269,811
Loans and receivables	3,080,102	1,158,159	4,238,261
Total assets	39,412,235	29,571,624	68,983,859

(i) See note 11 (b).

(In thousands of Reais)

The table below provides the main exposures to credit risk based on accounting values and classified by economic activity of the counterparties:

	2011											
Assets	**Governments**	**Financial institutions**	**US agencies**	**Services**	**Investment funds**	**Individuals**	**Industry**	**Energy**	**Rural**	**Clearing**	**Others (i)**	**Total**
Cash and balance at Central Bank	874,053	517,306	-	-	-	-	-	-	-	-	-	**1,391,359**
Amounts receivable from banks		958,600	-	-	-	-	-	-	-	-	-	**958,600**
Open market investments	3,782,235	4,780,615	-	-	2,332,980	-	-	-	-	-	-	**10,895,830**
Derivative financial instruments		1,309,163	-	-	1,599,505	-	-	-	-	120,000	243,275	**3,271,943**
Financial assets held for trading	13,120,426	812,107	8,179,126	1,974,477	-	-	206,136	942,314	-	-	11,057,260	**36,291,846**
Held-to-maturity financial assets	3,788,487	-	-	-	-	-	-	-	-	-	-	**3,788,487**
Financial assets at fair value through profit and loss	7,728,606	-	-	-	-	-	-	-	-	-	-	**7,728,606**
Loans and receivables	-	-	-	3,951,322	-	3,020,317	921,324	-	312,270	-	73,280	**8,278,513**
Total assets	**29,293,807**	**8,377,791**	**8,179,126**	**5,925,979**	**3,932,485**	**3,020,317**	**1,127,460**	**942,314**	**312,270**	**120,000**	**11,373,815**	**72,605,184**

(i) Represents primarily exposure at tradable shares and investment funds quotes.

(In thousands of Reais)

	2010						
Assets	**Governments**	**Financial institutions**	**Services**	**Individuals**	**Industry**	**Others**	**Total**
Cash and balance at Central Bank	1,622,522	-	-	-	-	-	**1,622,522**
Amounts receivable from banks	86,740	-	-	-	-	-	**86,740**
Open market investments	1,854,034	-	-	-	-	-	**1,854,034**
Derivative financial instruments	1,065,513	-	-	-	-	2,264,215	**3,329,728**
Financial assets held for trading	65,384	26,476,323	-	387,689	-	7.653.367	**34,582,763**
Financial assets at fair value through profit and loss	22,707,017	292,152	-	-	-	270,642	**23,269,811**
Loans and receivables	-	-	2,801,908	-	915,741	520,612	**4,238,261**
Total assets	**27,323,144**	**26,768,475**	**2,801,908**	**387,689**	**915,741**	**10,708,836**	**68,983,859**

Financial assets that are due without event of loss or individually due with event of loss are covered partially or in whole by guarantees. The disclosure of main guarantees are described on Note 10 and 12.

In 2011 and 2010 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

(In thousands of Reais)

d) Liquidity risk

The Bank and its subsidiaries manage the liquidity risk by concentrating its asset portfolio with high credit lines and liquidity and using the proceeds from first-class contraparties at competitive rates.

The Bank and its subsidiaries maintain strong capital structure. In addition, eventual mismatches between assets and liabilities are monitored considering the effects from extreme market conditions in order to determine its capacity to realize assets or reduce leverage.

The table below summarizes the maturity profile of the Bank's assets and liabilities as at December 31, at their maturity dates, except for financial assets held for trading, which is represented at its expect maturity, regarding the characteristics of such transaction. The contract rates and expected maturity for other items, do not have significant differences.

	2011		
Assets	Under 12 months	Over 12 months	Total
Cash and balance at Central Bank	1,391,359	-	1,391,359
Amounts receivable from banks	943,813	14,787	958,600
Open market investment	10,895,830	-	10,895,830
Financial instruments derivatives	2,796,839	475,104	3,271,943
Financial assets held for trading	36,291,846	-	36,291,846
Held-to-maturity financial assets	-	3,788,487	3,788,487
Financial assets at fair value through profit and loss	7,728,606	-	7,728,606
Loans and receivables	3,285,494	4,993,019	8,278,513
Deferred tax asset	-	1,387,903	1,387,903
Other assets	5,461,375	1,439,532	6,900,907
Investment in non-controlled companies	-	733,339	733,339
Property, plant and equipment in use	-	58,403	58,403
Goodwill	-	480,950	480,950
Intangible assets	-	225,373	225,373
Total assets	68,795,162	13,596,897	82,392,059

	2011		
Liabilities	Under 12 months	Over 12 months	Total
Amounts payable to banks	572,761	3,644	576,405
Open market funding	29,949,155	-	29,949,155
Derivative financial instruments	2,747,905	430,265	3,178,170
Financial liability held for trading	6,243,498	6,971,859	13,215,357
Financial liability carried at amortized cost	13,559,749	9,291,036	22,850,785
Tax liabilities	238,783	521,157	759,940
Other liabilities	4,715,478	601,284	5,316,762
Shareholders' equity	-	6,333,278	6,333,278
Interest of non-controlling shareholders	-	212,207	212,207
Total liabilities	58,027,330	24,364,729	82,392,059

(In thousands of Reais)

	2010		
Assets	Under 12 months	Over 12 months	Total
Cash and balance at Central Bank	1,622,522	-	1,622,522
Amounts receivable from banks	86,740	-	86,740
Open market investment	1,854,034	-	1,854,034
Financial instruments derivatives	3,165,910	163,818	3,329,728
Financial assets held for trading	34,582,763	-	34,582,763
Financial assets at fair value through profit and loss	23,269,811	-	23,269,811
Loans and receivables	2,709,414	1,528,847	4,238,261
Deferred tax asset	-	923,753	923,753
Other assets	2,341,889	627,584	2,746,465
Property, plant and equipment in use	-	197,883	197,883
Intangible assets	-	198,695	198,695
Total assets	69,410,075	3,640,580	73,050,655

	2010		
Liabilities	Under 12 months	Over 12 months	Total
Amounts payable to banks	338,891	-	338,891
Open market funding	31,575,675	-	31,575,675
Derivative financial instruments	3,128,505	254,091	3,382,596
Financial liability held for trading	18,277,618	-	18,277,618
Financial liability carried at amortized cost	10,733,208	1,158,736	11,891,944
Tax liabilities	-	570,015	570,015
Other liabilities	1,434,791	41,443	1,476,234
Shareholders' equity	-	5,537,682	5,537,682
Total liabilities	65,488,688	7,561,967	73,050,655

e) Operating risk

Aligned with the guidelines issued by the Central Bank of Brazil and the standards established by the Basel Committee, the Bank defined its Operating Risk Management Policy applicable to the Bank and its subsidiaries in Brazil and abroad.

The policy comprises a set of principles, procedures and instruments that provide a permanent adequacy of the risk management to the nature and complexity of the products, services, activities, processes and systems.

The Bank and its subsidiaries adopt a strict operating risk management culture based on the evaluation, monitoring, simulation and validation of the risks and is supported by consistent internal controls. The management systems and operating risk controls are continuously improved in order to comply with the requirements issued by regulatory bodies, prompt adjustment to changes and advanced perception of future trends, including the proposals in the New Basel capital Accord.

(In thousands of Reais)

8. Cash and Balance at Central Bank

The composition of this account is presented below:

	2011	2010	01/01/2010
Cash	517,305	1,522,813	61,889
Balance at Central Bank	874,054	99,709	25,617
	1,391,359	1,622,522	87,506

9. Amounts Receivable from/Payable to Banks

The composition of this account is presented below:

	2011		2010		01/01/2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interbank deposits	916,457	576,405	85,657	338,891	54,473	217,776
Investments in foreign currency – Overnight	42,143	-	1,083	-	511,387	-
	958,600	576,405	86,740	338,891	565,860	217,776

10. Open Market Investments and Funding

The amounts presented below are basically overnight, and indexed to local and foreing benchmark interest rate.

	2011		2010		01/01/2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Own funds	2,562,418	23,228,588	189,007	24,182,695	886,119	490,927
Third-party funds	8,041,032	6,720,567	1,665,027	6,617,506	6,069,018	6,984,211
Short position	292,380	-	-	-	-	-
	10,895,830	29,949,155	1,854,034	30,800,201	6,955,137	7,475,138

At December 31, 2011 and 2010, the amounts of R$ 6,681,113 and R$ 775,474 were offset between assets and liabilities as the necessary conditions had been met for net presentation.

At December 31, 2011 and 2010 the market value of securities provided as collateral in these operations were R$ 21,055,304 and R$ 22,896,953 respectively, relating to own portfolio securities and R$ 31,470,490 and R$ 25,904,365, of third parties securities, respectively. The amounts received as collateral in 2011 and 2010 was R$ 26,884,577 e R$ 24,752,256, respectively.

11. Classification and Measurement of the Financial Instruments

a) Derivatives

The Bank actively participates in risk intermediation operations involving derivatives, taking into account the Bank needs and their clients in order to reduce exposure to market risks, currency and interest rate. Certain derivatives may be associated with transactions with securities, or even with rights and obligations.

The management of the risks involved in these operations is accomplished through strict control policies, establishing strategies, determination 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.

The operations in Brazil are traded, registered or held in custody at BOVESPA, CETIP SA - OTC Derivatives and Asset (CETIP SA) and, when performed abroad in first-line brokerages. The Bank uses various financial instruments as economic hedge such as options, forwards, futures and swap with periodic adjustment. The use of these instruments is intended to hedge treasury positions, aiming at improving the level of risk in the portfolio, where the risk monitoring committees deemed necessary.

During the years ended 2011 and 2010, there were no derivative financial instruments designated as hedges.

(In thousands of Reais)

The composition of this account is presented below:

	2011		2010		01/01/2010	
	Cost	**Fair value**	**Cost**	**Fair value**	**Cost**	**Fair value**
Futures						
Long position	22,516	22,516	5,299	-	-	-
Short position	(15,900)	(15,901)	(6,332)	-	-	-
Swaps						
Long position	199,075	267,020	175,567	313,759	71,306	66,714
Short position	(409,901)	(466,063)	(186,509)	(229,590)	(100,605)	(109,981)
Credit derivatives						
Long position	101,109	151,046	-	-	-	-
Short position	(92,196)	(128,264)	-	-	-	-
Currency term - NDF						
Long position	270,464	266,937	82,230	132,011	110,286	235,071
Short position	(75,909)	(74,379)	(24,753)	(206,538)	(75,156)	(180,093)
Currency term - DF						
Long position	491,985	491,985	-	-	-	-
Short position	(491,120)	(491,120)	-	-	-	-
Transition term						
Long position	1,479,073	1,479,073	1,355,631	1,355,631	478,655	478,635
Short position	(1,479,073)	(1,479,073)	(1,360,086)	(1,360,086)	(478,283)	(478,282)
Options market						
Long position	286,150	378,783	62,706	253,705	132,248	136,220
Short position	(380,939)	(298,263)	(84,575)	(370,103)	(179,215)	(169,834)
Exchange portfolio						
Long position	214,583	214,583	1,274,622	1,274,622	728,933	728,933
Short position	(225,107)	(225,107)	(1,216,279)	(1,216,279)	(764,397)	(764,397)
Long Position	3,064,955	3,271,943	2,956,055	3,329,728	1,521,428	1,645,573
Short Prosition	(3,170,145)	(3,178,170)	(2,878,534)	(3,382,596)	(1,597,656)	(1,702,587)

(In thousands of Reais)

We show below the notional value of derivative operations:

	2011	2010	01/01/2010
	Total	**Total**	**Total**
Futures market			
Call purchase	151,410,113	64,555,762	8,810,548
Currency	4,175,540	2,229,036	447,461
Interest rate	146,119,068	31,895,679	8,356,186
Commodities	262,961	30,306,252	-
Indexes	840,022	124,795	6,901
Share	12,522	-	-
Put purchase	15,556,377	50,120,609	3,005,814
Currency	4,781,697	5,746,150	1,319,851
Interest rate	7,613,219	6,787,434	1,631,552
Share	2,233,713	-	-
Commodities	246,924	37,522,374	-
Indexes	680,824	64,651	54,411
Swap			
Long position	43,380,473	28,041,029	7,930,777
Currency	1,580,973	1,952,511	369,645
Interest rate	33,077,864	4,615,151	1,086,344
Indexes	6,674,627	21,473,367	6,474,788
Share	1,102,414	-	-
Commodities	18,817	-	-
Others	925,778	-	-
Short position	43,380,473	27,858,093	6,718,608
Currency	4,434,709	3,870,148	764,429
Interest rate	2,088,537	1,945,339	585,806
Indexes	35,221,673	22,042,606	5,368,373
Share	181,420	-	-
Commodities	3,837	-	-
Others	1,450,297	-	-
Credit derivatives			
Long position	1,305,128	-	-
Share	1,185,894	-	-
Currency	119,234	-	-
Short position	3,138,689	-	-
Share	2,441,152	-	-
Currency	697,537	-	-
Currency term - NDF			
Long position	16,727,162	13,091,957	1,873,265
Currency	4,290,638	12,453,333	1,423,727
Interest rate	12,436,524	638,624	449,538
Short position	16,727,162	13,158,525	1,818,286
Currency	15,639,514	12,009,298	465,942

(In thousands of Reais)

Interest rate	797,836	1,149,227	1,352,344
Inidices	1,601	-	-
Share	227,455	-	-
Others	60,756	-	-
	2011	**2010**	**01/01/2010**
	Total	**Total**	**Total**
Currency term - DF			
Long position	2,054,980	3,760,816	-
Currency	2,054,980	3,760,816	-
Short position	2,054,980	3,773,716	55,488
Currency	2,054,980	3,773,716	55,488
Forward transactions			
Long position	1,479,074	-	-
Intetesrt rate	739,537	-	-
Sovereign bonds	739,537	-	-
Short position	1,479,074	-	85,078
Intetesrt rate	739,537	-	85,078
Sovereign bonds	739,537	-	-
Options market			
Call purchase	399,883,600	28,428,888	3,567,216
Share	42,689,959	1,230,335	355,435
Commodities	243,857	-	-
Index	9,463,810	-	-
Currency	193,499,601	27,112,804	3,211,781
Interest rate	153,963,075	85,749	-
Sundry	23,298	-	-
Put purchase	393,818,615	67,598,003	7,132,357
Share	5,398,373	89,414	207,619
Commodities	663,610	-	-
Index	3,132,699	-	-
Currency	189,263,040	67,508,589	6,924,738
Interest rate	180,248,439	-	-
	15,112,454	-	-
Call sale			
Share	428,737,610	17,106,306	2,528,206
Commodities	3,020,268	1,049,762	644,968
Index	243,763	-	-
Currency	61,870,064	-	-
Interest rate	255,616,441	15,955,349	1,883,238
	107,987,074	101,195	-
Put sale			
Share	291,144,246	103,090,896	7,832,838
Commodities	2,330,259	992,403	22,062
Index	648,433	-	-
Currency	9,690,370	-	7,810,776
Interest rate	195,231,136	102,098,493	-
Options market	83,244,048	-	-
Exchange portfolio	214,583	1,274,622	728,933

(In thousands of Reais)

Long position			
Currency	214,583	1,274,622	728,933
Exchange portfolio	255,107	1,216,279	764,397
Short position			
Currency	255,107	1,216,279	764,397

The security margin granted in operations traded in BM&FBovespa with derivative financial instruments is comprised by federal government securities in the amount of R$ 2,187,464 (2010 – R$ 624,043) and shares in the amount of R$ 86,294 (2010 - R$ 613,751).

b) Financial assets held for trading

	2011		2010		01/01/2010	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Own portfolio						
Brazilian federal government bonds;	542,541	546,825	3,001,805	2,962,852	615,298	615,784
Debentures/Eurobonds	4,184,172	4,293,552	2,294,222	2,174,488	814,348	812,708
Banking credit certificates	257,026	257,274	382,465	381,124	531,085	531,013
Shares of investment funds						
Multi-market	943,039	943,039	5,305	5,305	-	-
Shares	118,511	118,511	244,076	244,076	-	-
Credit right ("FIDC"")	444,644	444,644	321,412	321,412	-	-
Private equity ("FIP")	838,674	838,473	52,257	52,257	-	-
	-	-	396,691	396,691	-	-
Others	1,850	1,850	109,767	109,767	493,932	493,932
Shares	3,651,282	3,584,455	2,364,880	2,384,074	1,093,776	1,139,562
Promissory notes	956,202	956,853		-	80,646	80,675
Real estate certificates	524,625	524,625	387,689	387,689	-	-
Securities issued by other governments						
United States	420,386	421,831	256,353	322,395	8,695	8,694
Others	58,519	55,647	-	-	36,231	37,170
Securities issued abroad	919,653	809,162	-	-	-	-
US Agencies	99,223	100,630	-	-	-	-
Others	199,662	188,814	118,363	90,079	130,784	102,215
	14,160,009	14,086,185	9,935,285	9,832,209	3,804,795	3,821,753
Securities subject to committed transactions with free management						
Brazilian federal government bonds	12,888	12,560	-	-	-	-
	12,888	12,560	-	-	-	-
Subject to repurchase agreements						
Brazilian federal government bonds	5,989,922	5,876,773	6,581,842	6,520,970	342,935	343,151
Securities issued by other governments						
United States	3,716,432	3,795,158	12,590,810	12,590,810	-	-
United Kingdom	1,178,366	1,181,677	1,635,532	1,635,532	-	-
Spain	-	-	195,151	195,151	-	-
Italy	-	-	285,112	285,112	-	-
Germany	279,709	275,426	791,490	791,490	-	-
Others	225,015	218,324	379,942	379,082	-	-
US Agencies	8,111,739	8,078,497	-	-	-	-
Debentures / Eurobonds	897,964	888,799	385,063	385,063	168,014	170.066
Private securities abroad	801,133	740,650	114,835	113,743	-	-
	21,200,280	21,055,304	22,959,777	22,896,953	510,949	513,217
Subject to collaterals						
Federal government bonds	737,083	736,204	793,077	792,929	105,312	105,106

Notes to the consolidated financial statements (cont'd)
December 31, 2011 and 2010
(In thousands of Reais)

Shares	84,567	86,294	951,880	957,959	461,115	485,087
Banking credit certificate	-	-	-	-	20,662	20,704
	821,650	822,498	1,744,957	1,750,888	587,089	610,897
Loans						
Shares	315,299	315,299	102,713	102,713	-	-
	315,299	315,299	102,713	102,713	-	-
	36,510,126	36,291,846	34,742,732	34,582,763	4,902,833	4,945,867

c) Held-to-maturity financial assets

	2011
Own portfolio	
Brazilian federal government bonds	2,375,915
	2,375,915
Subject to collaterals	
Brazilian federal government bonds	1,412,572
	1,412,572
	3,788,487

There were no financial assets classified as held to maturity in 2010 and 2009.

The Bank has the financial capacity to maintain these assets to maturity.

The securities classified under this category, at market value, would have a positive adjustment in the amount of R$ 38,503 as at December 31, 2011.

d) Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss is basically represented by short-term repurchase agreements are measured at fair value once it significantly reduces the inconsistent treatment that would occur in the measurement of these assets in the recognition of gains and losses.

The amortized cost os such transactions is represented by the amount of R$ 7.720.058, R$ 23.268.542 e R$ 3.624.093, as of 2011, 2010 and 01/01/2010, respectively.

e) Financial liabilities held for trading

(In thousands of Reais)

The composition of this account is presented below:

	2011	2010	01/01/2010
Short position in securities	12,175,269	8,664,328	821,317
Loan of securities			
Federal government bonds	1,040,088	10,388,764	1,581,478
	13,215,357	19,053,092	2,402,795

f) Reclassification of categories

No reclassifications occurred between categories during the years ended December 31, 2011 and 2010.

g) Financial liabilities carried at amortized cost

(i) Summary

	2011	2010	01/01/2010
Deposits	13,634,655	10,234,653	5,304,939
Securities issued	4,138,119	1,502,030	330,210
Obligations on borrowings and onleding	919,716	155,261	61,271
Subordinated debts	4,158,295	-	-
	22,850,785	11,891,944	5,696,420

(ii) Deposits

	2011	2010	01/01/2010
Demand deposits	1,574,208	2,312,891	1,278,016
Time deposits	12,060,447	7,908,932	4,019,974
Other deposits	-	12,830	6,949
	13,634,655	10,234,653	5,304,939

(In thousands of Reais)

(iii) Securities issued

	2011	2010	01/01/2010
Securities - domestic	2,988,478	1,496,011	330,210
Real Estate/agribusiness credit bills	2,624,989	1,299,479	330,210
Real Estate Certificates	363,489	196,532	-
Securities – abroad	1,149,641	6,019	-
Medium term notes	1,143,042	6,019	-
Credit linked notes	6,599	-	-
	4,138,119	1,502,030	330,210

(iv) Borrowings and transfers

	2011	2010	01/01/2010
Foreign loans	875,094	55,161	60,948
Bonds in foreign currency	541,493	55,161	60,948
Borrowings in foreign	333,601	-	-
Local onlending – official institutions	44,622	100,100	324
FINAME	44,622	100,100	324
	919,716	155,261	61,272

(v) Subordinated debts

As at December 31, 2011, the outstanding balance of this account, in the amount of R$ 4,158,295, is represented by financial notes issued on April 15, 2011, with semiannual payments and falling due on April 15, 2021, indexed to inflation rates plus fixed rates.

h) Fair value measurements

The fair values of financial instruments are calculated as follows:

• Swaps - cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the BM & F, the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).

• Futures and Terms - Prices obtained in exchanges or using the same criteria as described above for swaps.

• Options - the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

• Credit derivatives: the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).

• Financial instruments for trading: the fair values of bonds are calculated based on prices published by ANDIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.

• Financial assets measured at fair value through profit and loss: fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

The table below summarizes the fair value of the financial assets and liabilities classified based on the measurement methods adopted by the Bank:

	2011			
	Level 1	Level 2	Level 3	Total

(In thousands of Reais)

Asset				
Derivative financial instruments	1,925,806	1,264,624	81,513	3,271,943
Financial assets held for trading	25,860,336	9,824,011	607,499	36,291,846
Financial assets at fair value through profit and loss	-	7,728,606	-	7,728,606
Liability				
Derivative financial instruments	1,910,078	1,268,092	-	3,178,170
Financial liabilities held for trading	11,680,579	1,534,778	-	13,215,357

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Derivative financial instruments	3,133,875	195,853	-	3,329,728
Financial assets held for trading	29,664,058	4,376,162	542,543	34,582,763
Financial assets at fair value through profit and loss	15,563,553	7,706,258	-	23,269,811
Liability				
Derivative financial instruments	2,918,575	464,021	-	3,382,596
Financial liabilities held for trading	19,053,092	-	-	19,053,092

There were no reclassifications between Level 1 and 2 for the years ended December 31, 2011 and 2010.

The movement on financial instruments classified as Level 3 in 2011 and 2010 is presented below:

(In thousands of Reais)

	Derivative financial instruments	Financial assets held for trading	Total
At January 1, 2010	-	157,702	157,702
Acquisition	-	478,410	478,410
Gain/losses	-	282	282
Sales		(95,851)	(95,851)
At December 31, 2010	-	542,543	542,543
Tranfers from level 2	-	18,892	18,892
Acquisition	4,193	85,589	89,782
Gain/losses	77,320	7,043	84,363
Sales	-	(46,567)	(46,567)
At December 31, 2011	81,513	607,499	689,012

12. Loans and Receivables

a) The composition of this account is presented below:

Loans and receivables	2011 Balance	2011 Allowance	2011 Total
Loans	3,126,624	(77,428)	3,049,196
Financing	1,399,992	(4,873)	1,395,119
FINAME/BNDES onlending	44,647	(47)	44,600
Foreign currency advances	564,496	(3,284)	561,212
Fund for Compensation of Salary Variations (FCVS)	136,190	-	136,190
Securities and credits receivable (i)	661,783	(266)	661,517
Shares in credit portfolios (ii)	2,394,915	-	2,394,915
Debtors for trading of securities	77,907	(42,143)	35,764
	8,406,554	(128,041)	8,278,513

Loans and receivables	2010 Balance	2010 Allowance	2010 Total

Loans	2,398,457	(79,514)	2,318,943
Financing	1,002,652	(1,084)	1,001,568
FINAME/BNDES onlending	100,535	(70)	100,465
Fund for Compensation of Salary Variations (FCVS)	34,406	-	34,406
Securities and credits receivable (i)	623,873	(489)	623,384
Shares in credit portfolios (ii)	139,525	(30,676)	108,849
Debtors for trading of securities	50,646	-	50,646
	4,350,094	(111,833)	4,238,261

Loans and receivables	01/01/2010		
	Balance	**Allowance**	**Total**
Loans	760,439	(83,607)	676,832
Financing	218,966	(4,081)	214,885
FINAME/BNDES onlending	325	(2)	323
Fund for Compensation of Salary Variations (FCVS)	117,440	-	117,440
Securities and credits receivable (i)	76,872	(1,797)	75,075
Shares in credit portfolios (ii)	16,442	-	16,442
Confession of debt	83,986	(49,955)	34,031
Others	62,527	-	62,527
	1,336,997	(139,442)	1,197,555

(i) Refers to the acquisition of credit rights.
(ii) Refers to the acquisition of credit portfolios and financing of vehicles through Investment Funds in Credit Rights (FIDC). The evaluation of these portfolios is performed based on the internal return rate (TIR).

The amount of guarantees received for credit operations at december 31, 2011 and 2010, was R$ 4,602,362 e R$ 2,341,779 , respectively.

b) The changes in provision for the years are as follows:

	2011	**2010**	**01/01/2010**

(In thousands of Reais)

As at January 1	(111,833)	(139,442)	(63,379)
Creation of provision	(30,022)	(7,030)	(92,629)
Foreign exchange effect	(475)	-	-
Credits written-off as losses	14,289	34,639	16,566
As at December 31	(128,041)	(111,833)	(139,442)
Composition of final balances			
Provision for credit operations	(82,348)	(110,921)	(137,645)
Allowance for other credits	(3,550)	(912)	(1,797)
Other provision	(42,143)	-	-
	(128,041)	(111,833)	(139,442)

c) Renegotiation/recuperation of credits marked down for losses

In the credit portfolio the amount of R$ 88,718 refer to renegotiations occurred in the fiscal year ended December 31st, 2011 (R$ 31,031 in 2010), Credits previously wrote down were recovered for losses in the amount of R$ 19,566 (R$ 8,594 in 2010).

d) Credit derecognition

There were no credit derecognized in 2011 and 2010.

e) Credit risk

The credit risk of these transactions is presented below.

Risk level	2011	2010	2009
Low	4,776,453	3,691,355	535,187
Medium	3,339,634	453,758	556,206
High	290,467	204,981	245,604
Total	8,406,554	4,350,094	1,336,997

The Bank follows an internal loan ratings system that complies with requirements of the Central Bank of Brazil; based on such ratings, for purposes of this footnote, the bank has further grouped the loans into low, medium and higher risk as follows:

(In thousands of Reais)

- Low risk included ratings AA and A, medium B and C and high from D to H

13. Other Assets

The composition of this account is presented below:

	2011	2010	01/01/2010
Court deposits	530,668	434,647	320,725
Taxes recoverable	220,499	172,366	51,691
Debtors/creditors – pending settlement (i)	4,372,440	1,757,948	1,007,692
Sundry debtors – local (ii)	1,312,799	50,646	-
Services provided receivable	208,608	92,144	6,258
Management fee and performance fees receivable for funds and investment portfolios	145,974	111,147	189,754
Cash from records and settlement	30,809	8,547	5,891
Temporary investments	-	30,312	-
Other amounts and assets	18,591	18,541	170
Prepaid expenses	6,534	2,300	1,813
Other investments	8,713	7,916	7,229
Tax incentives	1,317	1,317	1,317
Provision for losses	(2,987)	(2,987)	(2,987)
Miscellaneous	46,942	61,621	26,923
	6,900,907	2,746,465	1,616,476

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.

(ii) The balance consists primarily of the following : i) advances of capital held by subsidiaries of the bank of R$ 428 million, with no indexation or stated maturity and ii) deposits held by the Bank BTG Pactual at Banco Panamericano S.A. in the amount of R$ 630 million, indexed to SELIC, and maturing at January, 2012.

14. Investment in associates and jointly controlled entities

Shared Control	
Shareholders' equity	Net income

In Brazil		
Banco Panamericano S.A.	972,562	164,521
Warehouse 1 Empreendimentos Imobs S.A.	40,089	(3,237)
Max Casa XIX Empreendimentos Imobs S.A.	14,358	(2,179)
ACS Omicron Empreendimentos Imobs S.A.	18,414	3,898
One Properties S.A.	658,287	(200,444)
Vivere Soluções e Serviços S.A.	29,997	5,070

	Shared Control		
	Participation	Investment	Equity pickup
In Brazil			
Banco Panamericano S.A.	37.64%	366,074	61,761
Warehouse 1 Empreendimentos Imobs S.A.	35.00%	14,031	(1,133)
Max Casa XIX Empreendimentos Imobs S.A.	50.00%	7,179	(1,572)
ACS Omicron Empreendimentos Imobs S.A.	44.74%	8,239	2,327
One Properties S.A.	49.99%	329,078	22,583
Vivere Soluções e Serviços S.A.	30.00%	8,738	1,500
		733,339	85,466

a) Banco Panamericano

In 2011, the Bank acquired the total shares of Grupo Silvio Santos in Banco PanAmericano .S.A. in the amount of R$ 450 million, and became the holder of 37.64% in the retail institution, with 51.00% of common shares and 21.97% of preferred shares sharing control with Caixa Econômica Federal ("Caixa"), based on the shareholders' agreement entered into between the parties. This investment is classified as a jointly controlled entity.

With respect to Caixa, the partnership with BTG Pactual will maintain the equity conditions based on which Caixa was able to acquire its interest in Banco PanAmericano, a decision taken based on the common business potential between both institutions, continuing with Caixa's expansion strategy in the Brazilian credit market.

Caixa, highly recognized in the retail market, and BTG Pactual are partners and their association represents a significant potential for business, in addition to the creation and distribution of products.
The Bank recognizes its interest in Banco PanAmericano S.A. using the equity method.

Details of the acquisition are as follows:

(In thousands of Reais)

	Fair value recognized on the aquisition
Net assets as at April 30, 2011	808,041
Ownership	37.64%
Bank's net assets	304,148
Goodwill on subscription included in investment value	145,852
Total consideration (to be paid)	450,000
Goodwill on subscription	145,852
Total consideration (to be paid up to 2028, indexed to SELIC)	450,000

b) One Properties S.A. ("OneP")

On June 10, 2011, the Bank entered into an investment agreement with WTorre Properties S.A. to form a new company focused on developing, acquiring, leasing and selling commercial real estate and industrial / logistics.

Under the terms of the transaction, which was completed on November 22, 2011, the Bank acquired an indirect stake of 49.99% of the new company, One Properties SA, in return for the contribution to the company of cash and assets totaling R$ 627,452.

The Bank recognizes its interest in One Propertier S.A. on the equity method of accounting.

The calculation of net assets for acquisition accounting was based on preliminary assessments and the final evaluation was not completed upon the approval of financial statements by management.

The fair value of assets and liabilities on the acquisition date is as follows:

	Fair value recognized on the aquisition
Net assets as at November 30, 2011	613,114
Ownership	49.99%

(In thousands of Reais)

Bank's net assets	306,496
Goodwill included in investment value	320,956
Total consideration (in assets at fair value)	627,452

Goodwill determined based on the net fair values, in the amount of R$ 320,956, represents the expected future economic benefit from the synergies in connection with the acquisition.

15. Other aquisition

a) BW Properties S.A. ("BW")

The fair value of assets and liabilities on the acquisition date is as follows:

	Fair value recognized on the acquisition
Net assets as at November 30, 2011	204,973
Ownership	67.49%
Bank's net assets	138,336
Goodwill on subscription	21,585
Total consideration (R$ 109, 712 in cash and R$ 50,141 in assets)	159,921

Goodwill determined based on the adjusted fair values, in the amount of R$ 21,585 represents the expected future economic benefit from the synergies in connection with the acquisition.

(In thousands of Reais)

16. Property, Plant and Equipment for Use and Intangible Assets

Property, plant and equipment for use is mainly represented by construction in progress that did not generate depreciation in the year and intangible assets mainly comprise goodwill on the acquisition of Coomex Banco Panamericano, BW and One Properties (note 6 e 12).

17. Tax Liabilities

The composition of this account is presented below:

	2011	2010	01/01/2010
Deferred:			
Deferred income tax and social contribution	48,720	9,744	5,973
Current:			
Taxes and contributions to be collected	-	42,596	39,910
Taxes and contributions payable	199,799	79,399	34,228
Taxes with payment suspended due to disputes	511,421	418,435	328,027
Other	-	19,841	3,187
Tax liabilities	759,940	570,015	411,325

18. Other Liabilities

The composition of this account is presented below:

	2011	2010	01/01/2010
Cash from records and settlement	99,295	163,957	74,814
Debtors/creditors – pending settlement (i)	3,727,062	714,362	337,132
Liabilities for guarantees provided and other fees	63,500	24,290	8,397
Employees' profit sharing	449,841	230,601	227,206
Bonus payable	103,188	41,443	-
Provision for payables	201,371	168,242	43,606
Deferred consideration on acquisitions	569,694	83,074	224
Provisions	27,719	27,579	20,693
Others	75,092	22,686	29,464
	5,316,762	1,476,234	741,536

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.

19. Contingent Assets, Provisions and Legal Obligations – Tax and Social Security

The management of the Bank and its subsidiaries evaluates the existing contingencies based on the legal proceedings filed against the companies and records a provision whenever deemed necessary to face probable losses arising from such proceedings. Management's judgment considers the opinion of its external legal advisors with respect to the expected favorable outcome of each proceeding.

a) Contingent assets

As at December 31, 2011 and 2010, the Bank and its subsidiaries did not record contingent assets.

b) Provisions classified as probable losses and legal obligations

– Labor provisions

Labor provisions comprise claims filed by former employees mainly related to overtime and salary adjustment. These contingencies are recorded in accordance with the potential loss amount considering the current progress of the proceeding and the external and internal legal advisors' opinion.

– Civil provisions

With respect to civil claims with potential loss (moral and equity damages and other proceedings requesting indemnity), the contingencies are recorded based on the external and internal legal advisors' opinion.

– Tax and social security provisions

Tax and social security provisions are represented by judicial and administrative proceedings at federal, municipal and state levels and comprise legal obligations and contingent liabilities. These provisions are based on the external and internal legal advisors' opinion and the level of each proceeding.

(In thousands of Reais)

c) Composition and management of provisions for the period

The Bank's management is challenging the constitutionality of some tax proceedings related to federal taxes, as well as being a party to other legal, tax and civil proceedings. As at December 31, 2011 and 2010, the Bank's management, based on the opinion of its legal advisors, considers that the provisions for these legal proceedings in progress are sufficient to cover eventual losses arising from these proceedings.

The provisions recorded and the respective changes for the period are as follows:

	2011	**2010**
Balance at the beginning of the year	446,014	348,720
Constitution	105,541	101,387
Write-off	(12,415)	(4,093)
Balance at the end of the year	539,140	446,014
Taxes with payment suspended due to disputes (Note 17)	511,421	418,435
Provisions (Note 18)	27,719	27,579

The nature from the main contingencies are shown below.

a) Taxes with payment suspended due to disputes (Note 17)

The Group BTG Pactual is challenging in court the legality of certain taxes and contributions. The amounts for legal obligations and contingencies assessed by in-house lawyers as probable losses are fully provided. Among these legal discussions the following deserve mention:

COFINS ("Social security financing tax") - Discussion of the legality of charging COFINS according to the rules of the Law 9.718/98.

PIS ("Social integration program tax") - Questioning the incidence of PIS instituted in the Constitutional Amendments No. 10 of 1996 and No. 17 of 1997.

CSL ("Social contribution tax") - discussion about the requirement related to financial institutions in the period 1996 to 1998 at rates higher than those applied to companies in general, to the detriment of the constitutional principle of equality.

b) Provision for contingent liabilities (Note 18)

Refer to the civil, labor and other contingencies

On December 31, 2011, BTG Pactual Bank and its subsidiaries included as part of processes with probability of success possible, which are not provided. Below is a description of relevant processes.

(i) Procedures for payment for participation in profits (PLR), which is a discussion about the incidence of social securitiy contributions on PLR and also the non-deductability of such amounts for income and social contribution taxes.. The amount involved is $ 241 million.

(ii) Cases relating to "demutualization" and IPO of Bovespa and BM & F, which discusses the taxation of PIS, Cofins, income tax and social contribution on income from the sale of shares of the companies mentioned above. The amount involved is $ 83 million.

(iii) Questioning the Central Bank of Brazil to derivative transactions (day-trade), conducted between 2002 and 2004. The amount involved is USD 189 million.

(iv) Cases involving administrative discussions regarding fines imposed by the Municipality of Sao Paulo in cases where ISS is levied on services rendered in Rio de Janeiro. Sao Paulo maintains the position that such services have been effectively rendered in Sao Paulo.. The amount involved is $ 80 million.

(In thousands of Reais)

20. Income Tax

The reconciliation between expenses with income and social contribution taxes on income and tax rate on profits before income and social contribution taxes is as follows:

Income tax and social contribution	**2011**	**2010**
Calculation basis	**1,119,367**	**1,195,125**
Income before taxation	1,119,367	1,195,125
Total income tax and social contribution at the rates of 25% and 15%, respectively	**(447,747)**	**(478,050)**
Permanent additions (exclusions) on the taxation calculation	**175,165**	**8,529**
Equity in the earnings of subsidiaries and associated companies in Brazil	34,186	-
Interest on capital	127,600	6,176
Dividends	15,360	4,351
Other permanent additions (exclusions)	(1,981)	(1,998)
Temporary additions (exclusions) on the taxation calculation	**209,299**	**342,532**
Amortization of goodwill on the acquisition of investments	373,400	366,301
Marked-to-market evaluation of securities and derivative financial instruments	13,538	(13,677)
Allowance for loan losses	(8,353)	9,588
Contingencies	(24,574)	(22,327)
Losses of overseas agency	(81,352)	-
Other provisions	(40,120)	2,647
(Creation) / offset on tax loss carryforwards	**107,987**	**(20,089)**
Income tax and social contribution losses	**(171,270)**	**(106,900)**
Temporary differences		
Creation / (reversal) for the year	(171,254)	(359,858)
Tax deductible goodwill created on reverse merger of Copacaban Prince	481,369	87,183
Loss on investments abroad	81,352	-
IRPJ recoverable on investments abroad	-	-
(Expenses) / benefits from deferred taxes	**391,467**	**(272,675)**
Total benefits / (expenses)	**220,197**	**(379,575)**

(In thousands of Reais)

Changes in deferred tax assets, in line item "Deferred tax asset", are as follows:

Income tax and social contribution	2010	Creation	Realization	2011
Tax loss carryforwards	166,030	189,564	(3,822)	351,772
Allowance for loan losses	67,680	73,788	(65,435)	76,033
Adjustment to market value of securities and derivatives	10,131	445,805	(453,522)	2,414
Movements in tax deductible goodwill	457,631	536,182	(373,401)	620,412
Tax contingencies and provision for taxes with suspended payment	104,474	24,575	-	129,049
Effects from effective interest rate and recognition Risk assets	52,929	18,193	-	71,122
Other provisions (i)	64,878	82,692	(10,469)	137,101
	923,753	1,370,799	(906,649)	1,387,903

(i) R$ 72.683 basically refers to a tax benefit recorded by the Group in September 2011, when the wholly owned subsidiary, BTG Pactual Empresa Operadora do Mercado Energético Ltda.(Coomex) conducted a reverse merger transaction from its parent BTG Pactual Agente Comercializador de Energia Ltda.

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

Description	Tax credits on temporary differences	Tax loss carryforwards	Total
2012	238,626	95,077	333,703
2013	319,299	88,426	407,725
2014	190,250	116,258	306,508
2015	147,598	52,010	199,608
2016 onwards	140,359	-	140,359
	1,036,132	351,771	1,387,903
Present value	**805,781**	**280,719**	**1,086,500**

21.Shareholders' Equity

a) Capital stock

As at December 31st, 2011 and 2010, the capital stock, fully subscribed and paid in, is comprised of 2,400,000,000 shares, of which 1,200,160,000 are common shares, 298,445,596 are preferred shares class A and 901,394,404 are preferred shares class B, all book-entry shares with no par value.

Under the Bank's Bylaws, it may increase its capital stock up to the authorized limit (10,000,000,000 shares) upon a resolution of its board of directors; provided that the total number of preferred shares cannot exceed 50% of the total number of its outstanding shares.

Each common share entitles its owner to one vote per share. Common shares participate pro rata with preferred shares in the distribution of profits.

Preferred shares class A and class B generally do not have voting rights. Preferred shares class A and class B participate pro rata with common shares in the distribution of profits and, in case of the Bank's dissolution, are entitled to priority on the reimbursement of the Bank's capital, without premium.

Preferred shares class B are convertible into common shares or preferred class A shares, in accordance with the conditions set forth in the Bylaws.

The Extraordinary Shareholders' Meeting, held on December 9th, 2010 approved the following, as approved by Banco Central do Brasil (BACEN) on December 24th, 2010:

(i) creation of preferred shares class A and class B, as described above.

(ii) stock split of the 1,253,583,889 common issued and outstanding shares , as a result of which the capital stock was comprised of 1,952,331,606 common shares.

(In thousands of Reais)

(iii) conversion of 901,394,404 common shares into 901,394,404 preferred shares class B, and
(iv) capital increase of R$ 2,409,264 upon issuance of 447,668,394 new shares, of which 149,222,798 are common shares and 298,445,596 are preferred shares class A.

The Extraordinary Shareholders' Meeting, held on April 30th, 2010, approved by BACEN on December 8th, 2010, increased the capital in the amount of R$ 7,079 for the creation of the capital reserve, without the issuance of new shares.

The Extraordinary Shareholders' Meeting, held on December 31st, 2011, approved the capital stock in the amount of R$ 271,150, without issuing new shares. This capital increase must be approved by BACEN.

The shares movement on exercise are presented below:

	Quantity		
		Preferred	
	Ordinary	Class A	Class B
In circulation in 01/01/2010	1,253,583,889	-	-
Stock split	698,747,717	-	-
Conversion of shares	(901,394,404)	-	901,394,404
Capital increase	149,222,798	298,445,596	-
In circulation in 12/31/2011 and 2010	1,200,160,000	298,445,596	901,394,404

There were no treasury shares in 2011 and 2010 .

b) Legal reserve

Recorded at the rate of 5% of net income for the year, before any other allocation, limited to 20% of the capital stock.

c) Statutory reserve

In accordance with the Bylaws, the purpose of this reserve is to maintain working capital whose amount is limited to the balance of the capital stock.

d) Unrealized income reserve

Unrealized income from the investment in subsidiaries abroad.

e) Profit sharing

Shareholders are entitled to minimum dividends of 1% on the net income for the year in accordance with article 202 of Law 6404/76.

The Executive Board's Meetings, held on March 18th, April 26th and September 20th, 2010, approved the distribution of dividends related to prior-year income, amounting to R$ 133,061, R$ 13,000 and R$ 227,576, respectively.

The Executive Board's Meeting, held on December 29th, 2010, approved the distribution of dividends related to current year income, amounting to R$ 473,000.

On September 20th, 2010, interest on own capital was approved in the amount of R$ 15,440, representing a tax benefit from deductible expenses of approximately R$ 6,176.

The Extraordinary General Meetings, held on March 17th, 2011, July 1st, 2011 and September 19th, 2011, approved the distribution of dividends in the amount of R$ 210,000, R$ 150,000 and R$ 197,000, respectively, from prior years.

The Extraordinary Shareholders' Meeting, held on December 5th, 2011, approved the distribution of dividends in the amount of R$ 135,000 related to the Bank's income for the first six-month period of 2011.

On December 31st, 2011, interest on capital was deliberate in the amount of R$ 319,000, generating a tax benefit obtained by deducting the expenditure of R$ 127,600.

(In thousands of Reais)

22. Income per share

Income per share basic and diluted is calculated dividing the net income by weighted average shares outstanding during the year. In december 31st, 2010 and 2009 there were no events that case dilution.

	2011	2010
Net income	1,339,564	815,550
Weighted average per thousand shares outstanding for the year	2,400,000,000	1,989,637,306
Earnings per share – básic and diluted	R$0.56	R$0.41

23. Net interest income and net gains on financial instruments

Net interet income

Interest revenues recorded in the consolidated income statement comprise interest accrued over the year on all assets with implicit or explicit return calculated based on the effective interest method regardless of the respective fair values. Interest is recognized at gross value without deduction of withholding taxes.

Interest expenses recorded in the consolidated income statement comprise interest accrued over the year on all financial liabilities with implicit or explicit return, including compensation in cash calculated based on the effective interest method regardless of the respective fair values.

a) Interest revenues

	2011	2010
Credit transactions	943,108	299,844
Secuties and open market funding	2,128,329	1,489,535
Income from compulsory investments	41,096	-
TOTAL	**3,112,533**	**1,789,379**

b) Interest expense

market funding	(2,050,320)	(1,344,409)
Time deposits	(903,254)	(505,080)
Interbank deposit	(48,969)	(28,248)
Notes issued	(495,915)	(103,699)
Borrowings and loans	(467,523)	(5,900)

(In thousands of Reais)

Total	**(3,965,981)**	**(1,987,336)**

Net gains on financial instruments

	2011	2010
Derivatives	10,985	415,825
Financial assets and liabilities held for trading anda t fair value through profit and loss	1,895,018	861,291
Total	**1,906,003**	**1,277,116**

24. Net Revenues from fess and Commissions

This revenue comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those comprising the effective interest rate on financial instruments, Such amounts are as follows:

	2011	2010
Management fee and performance premium of funds and investment portfolios	511,447	343,413
Stock exchange brokerage	107,660	107,673
Technical advisory	415,840	329,963
Other services	52,168	17,770
Total	**1,087,115**	**798,819**

25. Personnel Expenses

This line item is as follows:

	2011	2010
Direct compensation	658,058	388,079
Benefits	22,414	16,194
Charges	58,556	52,555
Other personnel expenses	1,213	312
	740,241	**457,140**

(In thousands of Reais)

26. Administrative Expenses

This line item is as follows:

	2011	2010
Premises	44,216	20,312
Materials	6,160	4,858
Data processing and telecommunications	85,061	59,316
Advertising, marketing and publications	13,515	13,315
Third-party services	132,640	72,965
Financial system services	16,730	28,446
Travels	29,468	14,784
Legal proceedings	1,558	19,185
Others	26,114	22,023
	355,462	**255,204**

27. Other Operating Income (Expenses)

This line item is as follows:

	2011	2010
Inflation adjustment of court deposits	70,675	25,684
Indemnity due to judicial recovery	-	31,680
Reversal of provision **(i)**	-	98,963
Reversal of provision for legal lossess	15,272	-
Income from sale of investment	9,217	-
Credit recovery	5,695	-
Expense with tax accrual	(4,407)	(2,949)
Reimbursement of operational, financial costs	(8,131)	(3,787)
Other provision	(30,724)	-
Other income	3,581	2,115
	61,178	151,706

(i) Reversal of provision for losses on securities without credit concession due to judicial indemnity

(In thousands of Reais)

28. Related Parties

The institutions comprising BTG Group Pactual mainly invest their cash and cash equivalents to raise funds to Banco BTG Pactual S.A.

The balances of related-party transactions, performed based on usual market rates and conditions, are as follows:

		2011				2010	
	Relationship	Maturity	Index	Assets	Income	Assets	Income
Assets							
Amounts receivable from Banks							
- Banco Panamericano S.A.	Jointly controlled entity	Up to 30 days	CDI	500,504	2,128	-	-
Open market investments							
- Banco Panamericano S.A.	Jointly controlled entity	-	-	-	1,714	-	-
Financial instruments							
Derivative financial instruments							
- BTG Investments LP	Associated	Up to 1 year	-	81,334	76,608	-	-
Other assets							
Receivables							
BTG Global Asset Management Limited	Associated	No stated maturity	-	-	46,777	15,398	52,685
Miscellaneous							
- Max Casa XIX Empreendimentos Imobiliários S.A.	Associated	No stated maturity	-	4,936	-	-	-
- ACS Omicron Empreendimentos Imobiliários S.A	Associated	No stated maturity	-	12	-	-	-
- Warehouse 1 Empreendimentos Imobiliários S.A.	Associated	No stated maturity	-	432	-	-	-
- Saíra Diamante Empreendimentos Imobiliários S.A.	Associated	No stated maturity	-	10	-	-	-
				587,228	127,227	15,398	52,685

(In thousands of Reais)

	Relationship	2011				2010	
		Maturity	Index	Liability	Expense	Liability	Expense
Liabilities							
Financial instruments							
Financial liabilities at amortized cost							
Demand deposits							
- BTG Pactual Stigma Participações S.A.	Associated	No stated maturity	-	-	-	89	-
- BTG Pactual Proprietary Feeder (1) Limited	Associated	No stated maturity	-	249	-	-	-
- BTG Investments LP	Associated	No stated maturity	-	2,120	-	-	-
- BTG MB Investments LP	Associated	No stated maturity	-	9,425	-	-	-
- BTG Pactual Beta Participações S.A.	Associated	No stated maturity	-	10	-	-	-
- BTG Pactual Pharma Participações S.A.	Associated	No stated maturity	-	11	-	-	-
- BTG Equity Investments LLC	Associated	No stated maturity	-	194	-	-	-
- BTG Pactual Stigma LLC	Associated	No stated maturity	-	140	-	-	-
- BTG Alpha Participações Ltda.	Associated	No stated maturity	-	70	-	44	-
- BTG Alpha Investments LLC	Associated	No stated maturity	-	1,029	-	5	-
- Sócios e pessoal chave da administração		No stated maturity	-	449	-	17	-
Time deposits							
- BTG Pactual Stigma Participações S.A.	Associated	Up to 1 year	CDI	110	(4)	-	-
- BTG Pactual Alpha Participações Ltda.	Associated	Up to 1 year	CDI	258	(209)	3,371	(342)
- BTG Pactual Beta Participações S.A.	Associated	Up to 1 year	CDI	1,459	(168)	-	-
- BTG Pactual Pharma Participações S.A.	Associated	Up to 1 year	CDI	1,702	(272)	-	-
Open market funding							
- Banco Panamericano S.A.	Jointly controlled entity	Overnight	Selic	639,373	(29,656)	-	-
Other liabilities							
Debtors – pending settlement							
- BTG Investments LP	Associated	Up to 1 year	-	69,420	-	-	-
- BTG Pactual US Corp	Associated	-	-	-	-	4,154	(10,590)
				726,019	(30,309)	7,680	(10,932)

Transactions with related parties have no guarantees given and received, except guarantee deposit (cash collateral) of derivative financial instruments in the amount of R $ 69,420. Additionally, the Bank did not record any allowance or provision for doubtful debts for the years ended December 31, 2011, 2010 and 2009.

Compensation of key management personnel classified as short-term benefits amounted to R$ 2,961 in 2011 and R$ 6,662 in 2010.

(In thousands of Reais)

29. Other Information

a) Deposits

The interbank deposits and time deposits issued at market rates had the following weighted average maturities:

	2011	2010
Interbank deposits	143	221
Time deposits	408	283

b) Commitments and obligations

The main commitments and obligations of the Bank and its subsidiaries are as follows:

	2011	2010
Co-obligations and risks from guarantees provided	5,278,935	1,122,929
Obligations from the management of funds and investment portfolios (i)	34,477,778	99,409,007
Securities under custody	142,531,821	40,274,434
Trading and intermediation of securities	857,584,457	888,938,214

(i) Recorded by the sum of the equity amounts of the funds and investment portfolios,

Line item "Co-obligations and risks from guarantees provided" basically comprises loans granted to guarantee stock exchange operations.

Line item "Securities under custody" includes the third-party positions of public and private securities under the custody of SELIC ("Special System for Settlement and Custody"), CETIP S.A. - OTC Clearing House ("CETIP S.A.") and BM&FBOVESPA S.A.

Line item "Trading and intermediation of securities" includes the purchase and sale agreements of derivative financial instruments related to third-party transactions.

(In thousands of Reais)

c) Cash and cash equivalents

Cash and cash equivalents in the presentation of the Consolidated Statements of Cash Flow are as follows:

	2011	**2010**
Cash and reserve at Central Bank		
Cash and cash equivalents	517,305	1,522,813
Amounts receivable from banks		
Interbank deposits	503,053	3,020
Overnight deposits	42,143	1,083
Open Market investments	10,716,828	-
Financial assets at fair value through profit and loss	708,088	17,398,454
Balance at year end	12,487,417	18,925,370

30. Events after the Reporting Period

On February 8th, 2012, the Bank announced the conclusion of the agreement for the acquisition of 100% of the outstanding shares of Celfin Capital, a lead company in financial transactions, operating in Chile, Peru and Colombia. In connection with this transaction, Banco BTG Pactual will pay to the owners of Celfin a total of US$ 486,000 in cash, of which US$ 196,000 will be used for the purchase of shareholding interest of Banco BTG Pactual, representing 2,423% of the capital.

Such transaction is pending approval from the competent authorities, consequently the Bank has no conditions to determine the fair value of acquired assets and liabilities. Once the transaction is approved, the Bank will determinate the acquisition date and provide the respective evaluation.

On January 31st, 2012 the Bank paid in capital in Banco Panamericano S.A., in the amount of R$ 495,476, with no impact on its proportion of shareholders composition and such transaction is pending approval from BACEN.

On January 31st, 2012, Banco BTG Pactual and Banco Panamericano entered into definitive agreements to purchase 100% of the shares of Brazilian Finance & Real Estate S.A., or BFRE, The total purchase price (subject to adjustment) is approximately R$ 1,2 billion, of which R$ 940 million will be paid by Banco PanAmericano and R$ 270 million will be paid by Banco BTG Pactual.

Additionally, after the definitive agreement, and before the settlement, BFRE will be split into two companies, and the Bank will acquire one of these companies the additional amount of approximately R$ 335 million, which will be used for purchase of certain Real Estate Investment Funds held by BFRE. This transaction is subject to approval of the competent authorities.

Consolidated financial statements

BTG Investments LP.

December 31, 2012
With Independent Auditors' report

BTG Investments LP.

Consolidated financial statements

As of December 31, 2012

Content

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A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with IFRS and in Reais

Independent auditors' report

To the Board of Directors and Shareholders of
BTG Investments LP

We have audited the accompanying consolidated financial statements of BTG Investments LP, which comprise the consolidated balance sheet as at December 31, 2012 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows statements for the year then ended, and a summary of significant accounting policies and other explanatory notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BTG Investments LP as of December 31, 2012 and of its consolidated financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

We have formerly audited the consolidated financial statements for the year ended December 31, 2012, on which we issued an unqualified opinion, dated February 19, 2013. As mentioned in note 2, the management identified a subsequent event undisclosed previously and consequently the consolidated financial statements, for the year ended December 31, 2012 are being restated as provided by International Accounting Standards Board (IASB) IAS 10 – Events After the Reporting Period. Consequently, our opinion considers those adjustments and replaces the opinion formerly issued.

São Paulo, March 28, 2013

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6

Flávio Serpejante Peppe
Partner

BTG Investments LP.

Consolidated balance sheets
As of December 31
(In thousands of reais)

Assets	Note	2012	2011
Cash on banks	6	78,813	31,875
Open market investments	7	11,163	2,995,898
Derivative financial instruments	8a	510,258	24,352
Financial assets held for trading	8b	22,964,552	18,719,519
Financial assets available for sale	8d	1,044,941	480,388
Loans and receivables	8e	721,819	376,192
Due from brokers	9	1,238,759	7,837,967
Non-current assets held for sale	8d	338,451	-
Investment in associates and joint ventures	10	571,440	-
Other assets		335,992	117,991
Total assets		**27,816,188**	**30,584,182**
Liabilities			
Open market funding	7	21,393,856	9,916,457
Derivative financial instruments	8a	849,480	309,085
Financial liabilities held for trading	8c	855,796	4,979,914
Financial liabilities at amortized cost	8f	286,233	107,428
Due to brokers	9	281,790	12,979,368
Other liabilities		105,468	91,573
Total liabilities		**23,772,623**	**28,383,825**
Shareholders' equity			
Capital stock	11	2,613,855	1,990,348
Other comprehensive income	12	183,538	(125,242)
Retained earnings		1,246,172	335,251
Total shareholders' equity		**4,043,565**	**2,200,357**
Total liabilities and shareholders' equity		**27,816,188**	**30,584,182**

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

BTG Investments LP.

Consolidated statements of income

Year ended December 31
(In thousands of reais, except for earnings per share)

	Note	2012	2011
Interest income	14a	48,029	5,352
Interest expenses	14b	(88,922)	(23,364)
Interest income/expenses, net		**(40,893)**	**(18,012)**
Gains (losses) on financial instruments held for trading	15	637,893	273,787
Gains (losses) on financial assets available for sale	8d	546,962	-
Share of profit of associates and joint ventures	10	(5,504)	-
Fees and commissions	16	-	99,856
Other operating income, net		43,511	24,259
Total income		**1,181,969**	**379,890**
Administrative expenses	17	(207,635)	(122,090)
Personnel expenses	18	-	(74,899)
Other expenses		(63,413)	(10,909)
Net income for the year		**910,921**	**171,992**
Earnings per share (basic and diluted - R$)	13	0.35	0.07

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

BTG Investments LP.

Consolidated statements of comprehensive income

Year ended December 31
(In thousands of reais)

	2012	2011
Net income for the year	910,921	171,992
Other comprehensive income (expenses)		
Financial assets available for sale	(14,198)	-
Currency translation adjustments	322,978	291,559
Total comprehensive income	1,219,701	463,551

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

BTG Investments LP.

Statement of changes in shareholders' equity
Year ended December 31
(In thousands of reais)

	Capital stock	Other comprehensive income		Retained earnings (Losses)	Total shareholders' equity
		Cumulative translation adjustment	Fair value adjustment		
Balances as at december 31, 2010	1,990,348	(416,801)	-	164,626	1,738,173
Net income of the year	-	-	-	171,992	171,992
Dividends paid	-	-	-	(1,367)	(1,367)
Currency translation adjustments	-	291,559	-	-	291,559
Balances as at december 31, 2011	1,990,348	(125,242)	-	335,251	2,200,357
Capital increase	632,216	-	-	-	632,216
Costs related to initial public offering	(8,709)	-	-	-	(8,709)
Net income of the year	-	-	-	910,921	910,921
Financial assets available for sale	-	-	(14,198)	-	(14,198)
Currency translation adjustments	-	322,978	-	-	322,978
Balance as at December 31, 2012	2,613,855	197,736	(14,198)	1,246,172	4,043,565

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

BTG Investments LP.

Consolidated statements of cash flows

Year ended December 31
(In thousands of reais)

	2012	2011 (1)
Operating activities		
Net income for the year	910,921	171,992
Adjusted net income		
Share of profit of associates	5,504	-
Depreciation and amortization	23	1,324
Adjusted net income for the year	916,448	173,316
(Increase) decrease in operating assets, net		
Due from brokers	6,655,615	(1,779,072)
Derivative financial instruments	(485,906)	41,548
Financial assets held for trading	(3,983,006)	(1,630,271)
Financial assets available for sale	(550,355)	(297,463)
Loans and receivables	(345,627)	(29,162)
Other assets	(218,001)	87,073
Increase (decrease) in operating liabilities, net		
Due to brokers	(12,691,434)	7,029,498
Open market funding	11,477,398	1,725,699
Derivative financial instruments	540,395	253,269
Financial liabilities held for trading	(4,124,118)	(8,983,644)
Other liabilities	13,895	(169,970)
Cash provided (used) by operating activities	(2,794,697)	(3,579,179)
Investment activities		
Sale of property plant and equipment	-	8,393
Acquisition of non-recurrent assets held for sale	(338,451)	-
Acquisition of associates and joint ventures	(565,936)	-
Cash provided (used) in investing activities	(904,387)	8,393
Financing activities		
Capital increase with IPO	623,507	-
Financial liabilities at amortized cost	178,805	(458,198)
Paid dividends	-	(1,367)
Cash provided (used) in financing activities	802,312	(459,565)
Increase (decrease) in cash and cash equivalents	**(2,896,772)**	**(4,030,351)**
Balance of cash and cash equivalents		
At the beginning of the year	3,027,773	6,740,950
Foreign exchange gains on cash and cash equivalents	41,025	317,174
At the end of the year	89,976	3,027,773
Increase (decrease) in cash and cash equivalents	**(2,896,772)**	**(4,030,351)**

(1) Amended as described in note 2 (b).

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

1. Operations

BTG Investments LP ("Company" or "BTGI") was incorporated as a tax exempted limited liability company under the laws of Bermuda on October 3, 2008 and commenced operations at the same date. The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2016, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

The Company and its subsidiaries was formed by the Partners in 2008 for the purpose of mutually engaging in any lawful business purpose or activity for which limited partnerships may be formed under the Partnership Act, with a common view to profit.

The business and affairs of the Company are managed by the holder of its general partner partnership interest, BTG Pactual Participations Ltd. ("BTGP"), which has the current right to influence and obtain economic rights as a result of control.

BTGI's assets are managed by the Asset Management area of Banco BTG Pactual S.A., which receives fees at market rates for its services.

In July, 2011, continuing the restructuring process of the BTG Pactual Group, Banco BTG Pactual S.A. indirectly acquired from BTGI the shares, by the book value, representing the capital shares of (i) BTG Pactual US Asset Management Corp., based in New York, USA, (ii) BTG Pactual Asia Ltd. with domicile in Hong Kong, China, (iii) BTG Pactual US Capital Corp, incorporated in Delaware, USA, (iv) BTG Pactual Global Asset Management Ltd. domiciled in Bermuda, (v) BTG Pactual Carry LP, domiciled in George Town, Cayman Islands, and (vi) 99.3% of the shares representing the capital of BTG Pactual Europe LLP, with domicile in London, England.

The financial statements were approved by Management on March 28, 2013.

2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by International Accounting Standards Board (IASB). Assets and liabilities are stated mainly at fair value as disclosed in the accounting policies herein.

a. Revised IFRS pronouncements

The accounting policies adopted are consistent with those of the previous year, except for the following amendment to IFRS effective as of January 1, 2012:

• IFRS 7 Financial Instruments: Disclosures

This amendment requires additional disclosures about financial assets that were transferred but not derecognized in order to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement with the derecognized financial assets to enable the user to evaluate the nature of the entity's continuous involvement with the derecognized assets disposed of, as well as the associated risks. The amendment in question affects only disclosures. The company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

We list below the standards issued that not yet effective:

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on the replacing IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be concluded at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but will not bring potential impacts on the classification and measurement of financial liabilities. The Company will quantify the effect of this amendment in conjunction with other phases.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Company's management assessed the revision of the standard and found no impact on the financial statements.

The IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require management to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Arrangements

The IFRS 11 provides a different approach for Joint Arrangements focused on the righs and obligations rather than on the legal form, and divides into Joint Operations and Joint Ventures. For Joint Ventures, proportionate consolidation is not allowed anymore. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IFRS 12 – Disclosures of Interests in Other Entities

The IFRS12 requires new disclosures about all types of investments in other entities. This amendment shall become effective for annual periods beginning on or after January 1, 2013. The amendment in question affects only disclosures.

• IFRS 13 - Fair Value Measurement

The objective of IFRS 13 is to align IFRS to U.S. GAAP, to reduce complexity of the disclosure and focus on the measurement of fair value. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 28 – Investments in associates and joint ventures (revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 – Investments in Associates has been renamed IAS 28 – Investments in associates and joint ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 32 Financial instruments (revised in 2012)

Under IAS 32, the rights, options and guarantees issued to acquire a fixed number of the entity's own equity instruments for a fixed price, in any currency, are classified as equity instruments. The change is applicable for years beginning January 1, 2014. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". In certain cases, offsetting may no longer be achieved. The amendments also clarify other aspects of application if IAS 32 related to settlement systems such as central clearing houses. Management assessed the amendments and concluded that it does not expect any material impacts to the financial statements.

• IAS 24 – Related- Party transactions (revised in 2012)

This amendment simplifies the disclosure requirements for subsidiaries or jointly-owned subsidiaries or companies significantly influenced by governments. Additionally, this amendment clarifies the definitions of related parties. Management assessed the revised standard and concluded that it does not affect the financial statements.

We list below annual improvements in standards which will have an inpact on the Company:

• IAS 1 – Presentation of Financial Statements

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

Other amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit and loss at a future point would be presented separately from items that will never be reclassified. The amendment affects presentation only and it becomes effective for annual periods beginning after July 1, 2012.

• IAS 32 – Financial Instruments, presentation

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 – Income taxes.

b. Amendment of the financial statements

The Company has revised its previously issued statement of cash flows at December 31, 2011 resulting in an increase in cash outflows from operating activities of R$2,291,345, an increase in cash outflows from financing activities of R$458,198, an increase in cash and cash equivalents at the beginning of the year of R$5,745,441, and an increase in cash and cash equivalents at end of the year of R$2,995,898.

Subsequent to the issuance of the Company's financial statements for the year ended December 31, 2012, management reviewed the subsequent events and included information about loan contracts with banks (note 21).

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. The estimates are based on historical experience and various other factors that the management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. dollar, since the majority of the Company's business transactions are in the mentioned currency.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. dollars are converted into U.S. dollar exchange rates closing at the end of each period. The non-monetary assets and liabilities are translated using the historical date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency translation are included in "translation adjustments" in the statement of comprehensive income.

Presentation currency

These consolidated financial statements are presented using the Real, the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Federal Securities Commission (CVM), the Brazilian regulatory body.

The conversion of U.S. dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – The effects of changes in exchange rates, and are summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average.

- For assets and liabilities, the Company translates balances using the closing rate of each balance sheet, and other variations in equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows.

All resulting translation differences are recognized directly in "translation adjustments" in the statement of comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments with original maturities redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Fees and commissions

Revenues from fees and commissions are recognized in the period in which such revenues are unconditionally earned and amounts are fixed or determinable.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interest rate method.

The interest on financial instruments held for trading are recorded in "Gain (losses) on financial instruments held for trading".

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded "Gain (losses) on financial instruments held for trading", and dividends received on financial assets as available for sale are classified as "Gain (losses) on financial assets available for sale".

e. Financial instruments

Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value, Interest revenue, expenses and dividends are recorded in "Gains (losses) on financial instruments held for trading".

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modify the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in "Net gain on financial assets or liabilities designated at fair value through profit and loss".

Financial assets available for sale

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Gain (losses) on financial assets available for sale".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or

- The Company transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:

- There is substantial transfer of all risks and benefits of the asset; or

- There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the Company have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaires.

Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "Open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as "Held for trading" in the consolidated balance sheet .

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded in the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is recorded as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is recorded as a short sale, included in "Financial liabilities held for trading" in result and measured at the fair value with any gain or loss included in "Gain (losses) on financial instruments held for trading".

Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

Financial instruments – Offsetting

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

Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

In case of any impairment losses evidence to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income.

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Company individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Company and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

f. Investment in associates and jointly ventures

Investment in associates and jointly controlled entities comprise entities over which the Company has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Company interest in the profits or losses of its associates and jointly controlled entities is recognized in the "Share of profit of associates and joint ventures". Any movements in the equity reserves of these entities is recognized directly in the investment balance.

g. Receivables from / payable to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

h. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and that the administration has committed to sell such assets.

i. Other assets / liabilities

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

j. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

k. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the extraordinary/ordinary general meeting.

l. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

m. Seasonality of transactions

Considering the activities that the Company and its subsidiaries are subjected, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Company didn't provide disclosures about seasonality on these notes to the consolidated financial statements for the year ended on December 31, 2012.

(In thousands of reais)

4. Basis of consolidation

a. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including certain special purpose entities) that are controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity; generally conferred by holding a majority of voting rights.

The consolidated financial statements comprise the financial statements of the Company and the following controlled entities and funds:

		Equity interest - %	
	Country	2012	2011
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
BTG Loanco LLP	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTGP Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Pactual Absolute Return Master Fund LP	Cayman	100.00	100.00
BTG Pactual Stigma Participações S.A. (i)	Brazil	-	100.00
BTG Pactual Delta Participações S.A. (i)	Brazil	-	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	Gibraltar	100.00	100.00
Turquesa Fundo de Investimento em Participação (ii)	Brazil	100.00	-
BTG Pactual Mining S.A.(ii)	Brazil	100.00	-
Hárpia Omega Participações S.A.	Brazil	100.00	-
Aigues de Catalunya Ltd (iii)	UK	100.00	-
BTG Pactual Spanish Trading Holdings Ltd (iii)	UK	100.00	-

(i) Note 8(d)
(ii) Turquesa Fundo de Investimento em Participação holds equity interest in BTG Pactual Mining S.A. which holds equity interest in B&A Mineração (Note 10).
(iii) Note 10

In July 2011, the companies (i) BTG Pactual Europe LLP, (ii) US Capital LLC, (iii) BTG GAM (UK) Limited, (iv) BTG Global Asset Management Ltd., (vi) BTG Pactual Asia Limited and (vii) BTG Pactual Asset Management US LLC were transferred to Banco BTG Pactual S.A. for their carrying amounts, not generating any gains or losses on the transaction. Consequently, the results of these transactions were fully consolidated in the Consolidated Statement of Income for the period ended July, 2011.

The financial information of the subsidiaries are prepared using accounting policies consistent to those adopted in the preparation of the parent Company's financial statements. Intra-group balances were eliminated during consolidation.

5. Risk management

As described in Note 1, BTGI's assets are managed by the Asset Management area of Banco BTG Pactual S.A. so the risk management process described below is performed by the Asset Management area.

Risk management involves several levels of our management team and various policies and strategies. The structure of the asset manager committees allows engaging the whole organization and ensuring decisions are readily implemented.

The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The asset manager seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

a. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Company's positions at market risk. The asset manager 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, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 asset manager uses a stress test models as a complement to VaR method for its daily risk activities.

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

In millions of R$	2012	2011	2010
Daily average VaR	47.6	25.1	16.4

b. Credit risk

All of the Company's 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 Company's counterparties credit limits are established by the Credit Committee and are regularly reviewed.

The total Company's exposure to credit risk is measured and evaluated considering all financial instruments involving any counterparty risk, which considers the total value of the collaterals and derivative transactions. For derivatives, all risk factors are applied to the financial value of the contracts in order to monitor the exposure to the credit risk in derivatives.

The credit risk exposure is calculated based on items of the balance sheet. The following table shows the maximum financial asset exposure by geographic region is as follows:

	2012		
	Brazil	**Abroad (i)**	**Total**
Assets			
Cash on banks	-	78,813	78,813
Open market investments	-	11,163	11,163
Derivative financial instruments	243,592	266,666	510,258
Financial assets held for trading	1,197,548	21,767,004	22,964,552
Financial assets available for sale	1,044,941	-	1,044,941
Loans and receivables	-	721,819	721,819
Due from brokers	-	1,238,759	1,238,759
Non-current assets held for sale	338,451	-	338,451
Investments in joint ventures	229,699	341,741	571,440
Other assets	-	335,992	335,992
Total assets	3,054,231	24,761,957	27,816,188

	2011		
	Brazil	**Abroad (i)**	**Total**
Assets			
Cash on banks	-	31,875	31,875
Open market investments	-	2,995,898	2,995,898
Derivative financial instruments	24,352	-	24,352
Financial assets held for trading	249,233	18,470,286	18,719,519
Financial assets available for sale	480,388	-	480,388
Loans and receivables	-	376,192	376,192
Due from brokers	-	7,837,967	7,837,967
Other assets	-	117,991	117,991
Total assets	753,973	29,830,209	30,584,182

(i) Refers primarily to counterparties domiciled in the United States of America

BTG Investments LP.

Notes to the consolidated financial statements
Year ended on December 31
(In thousands of reais)

The table below states the main exposures to credit risk based on the carrying amounts, classified by economic activity of the counterparties:

	2012						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash on banks	-	78,813	-	-	-	-	78,813
Open market investments	-	11,163	-	-	-	-	11,163
Derivative financial instruments	-	510,258	-	-	-	-	510,258
Financial assets held for trading	20,165,176	600,763	1,832,296	366,317	-	-	22,964,552
Financial assets available for sale	-	-	-	1,044,941	-	-	1,044,941
Loans and receivables	-	-	-	168,315	550,707	2,797	721,819
Due from brokers	-	1,238,759	-	-	-	-	1,238,759
Non-current assets held for sale	-	-	-	338,451	-	-	338,451
Investment in associates and joint ventures	-	-	-	571,440	-	-	571,440
Other assets	-	-	-	-	-	335,992	335,992
Total assets	20,165,176	2,439,756	1,832,296	2,489,464	550,707	338,789	27,816,188

	2011						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash on banks	-	31,875	-	-	-	-	31,875
Open market investments	-	2,995,898	-	-	-	-	2,995,898
Derivative financial instruments	-	24,352	-	-	-	-	24,352
Financial assets held for trading	10,952,611	94	7,060,955	293,101	-	412,758	18,719,519
Financial assets available for sale	-	-	-	480,388	-	-	480,388
Loans and receivables	-	-	-	-	376,192	-	376,192
Due from brokers	-	7,837,967	-	-	-	-	7,837,967
Others	-	-	-	-	-	117,991	117,991
Total assets	10,952,611	10,890,186	7,060,955	773,489	376,192	530,749	30,584,182

(i) See note 8(b)

Financial assets overdue without loss event or individually overdue with loss event are partially or fully covered by guarantees.

(In thousands of reais)

c. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establish substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the years ended on December 31:

	2012				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash on banks	78,813	-	-	-	78,813
Open market investments	11,163	-	-	-	11,163
Derivative financial instruments	461,689	1,530	36,631	10,408	510,258
Financial assets held for trading	22,964,552	-	-	-	22,964,552
Financial assets available for sale (i)	-	-	-	1,044,941	1,044,941
Loans and receivables	-	-	-	721,819	721,819
Due from brokers	1,238,759	-	-	-	1,238,759
Non-current assets held for sale	-	338,451	-	-	338,451
Investments in joint ventures	-	-	-	571,440	571,440
Other assets	335,992	-	-	-	335,992
Total assets	25,090,968	339,981	36,631	2,348,608	27,816,188

	2011				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash on banks	31,875	-	-	-	31,875
Open market investments	2,995,898	-	-	-	2,995,898
Derivative financial instruments	24,352	-	-	-	24,352
Financial assets held for trading	18,719,519	-	-	-	18,719,519
Financial assets available for sale (i)	-	-	-	480,388	480,388
Loans and receivables	-	-	-	376,192	376,192
Due from brokers	7,837,967	-	-	-	7,837,967
Others	117,991	-	-	-	117,991
Total assets	29,727,602	-	-	856,580	30,584,182

(i) The financial assets available for sale correspond basically to our investments in equity securities and quotes of the private equity funds and its invested companies (Note 8(d)) based on our current expectation of the exiting strategies and liquidation of the fund.

d. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Company and its subsidiaries, for the years ended on December 31:

(In thousands of reais)

	2012				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	21,393,856	-	-	-	21,393,856
Derivative financial instruments	408,540	44,153	336,802	59,985	849,480
Financial liabilities held for trading	855,796	-	-	-	855,796
Financial liabilities at amortized cost	286,233	-	-	-	286,233
Due to brokers	281,790	-	-	-	281,790
Other liabilities	105,468	-	-	-	105,468
Total liabilities	23,331,683	44,153	336,802	59,985	23,772,623

	2011				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	9,916,457	-	-	-	9,916,457
Derivative financial instruments	309,085	-	-	-	309,085
Financial liabilities held for trading	4,979,914	-	-	-	4,979,914
Financial liabilities at amortized cost	-	107,428	-	-	107,428
Due to brokers	12,979,368	-	-	-	12,979,368
Other liabilities	91,573	-	-	-	91,573
Total liabilities	28,276,397	107,428	-	-	28,383,825

The table below presents the undiscounted cash flows for "Loans and receivable" and "Financial liabilities at amortized cost". We are not presenting undiscounted cash flows for derivative financial instruments and financial liabilities at fair value through profit and loss. Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

	2012				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Loans and receivables	-	-	-	1,899,405	1,899,405
Liabilities					
Financial liabilities at amortized cost	235,423	-	52,408	-	287,831

	2011				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Loans and receivables	-	-	-	1,136,657	1,136,657
Liabilities					
Financial liabilities at amortized cost	-	33,287	-	79,489	112,776

6. Cash on banks

Cash on banks comprise exclusively highly-liquid bank deposits, totaling R$ 78,813 and R$ 31,875, as at December 31, 2012 and 2011.

(In thousands of reais)

7. Open market investment and funding

	2012	2011
Open market investments	16,229,594	9,109,262
Offset (netting)	(16,218,431)	(6,113,364)
Net	11,163	2,995,898
Open market funding	37,612,287	16,029,821
Offset (netting)	(16,218,431)	(6,113,364)
Net	21,393,856	9,916,457

As at December 31, 2012 the collateral received in repurchase agreements amounts to R$ 16,204,189 (2011 – R$ 4,419,839), whereas the collateral granted amounts to R$ 37,459,076 (2011 - R$ 5,451,157).

8. Classification and measurement of financial instruments

a. Derivative financial instruments

The Company does not have derivative financial instruments designated as hedge accounting. This item is broken down as follows:

	2012	2011
	Market Value	Market Value
Futures		
Long position	5,210	3,611
Short position	37,991	16,491
Swaps		
Long position	14,502	8,027
Short position	74,822	88,261
Credit derivatives		
Long position	347	-
Short position	276,891	16,290
Currency forward transactions - NDF		
Long position	29,998	667
Short position	-	89,116
Forward transactions - DF		
Long position	365,047	-
Short position	356,058	-
Options market		
Long position	95,154	12,047
Short position	103,718	98,927
Long Position	**510,258**	**24,352**
Short Position	**849,480**	**309,085**

BTG Investments LP.

Notes to the consolidated financial statements
Year ended on december 31
(In thousands of reais)

The nominal amounts of transactions with derivatives are as follows. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	2012	2011
Futures market		
Long position	115,262,134	716,314
Currency	448,753	126,631
Interest rate	112,748,161	589,598
Commodities	2,065,220	85
Short position	11,292,159	4,425,582
Currency	283,025	-
Interest rate	10,861,201	4,384,747
Indexes	147,933	40,835
Swap		
Long position	23,274,291	17,641,703
Interest rate	23,208,749	17,632,552
Currency	52,037	-
Government bonds	-	9,151
Equities	13,505	-
Short position	23,274,291	17,641,703
Interest rate	23,214,193	-
Currency	52,037	-
Indexes	-	17,632,552
Equities	8,061	9,151
Credit derivatives		
Long position	204,350	93,755
Sovereign	204,350	93,755
Short position	876,222	-
Coporate	518,609	-
Sovereign	357,613	93,755
Currency forward transactions - NDF		
Long position	1,513,793	1,148,388
Currency	1,513,793	1,038,677
Indexes	-	109,711
Short position	1,513,793	1,148,388
Currency	1,513,793	109,711
Indexes	-	1,038,677
Forward transactions - DF		
Long position	364,039	-
Currency	213,799	-
Equities	150,240	-
Short position	364,039	-
Currency	364,039	-
Options market		
Purchase of call options	5,222,909	33,257,236
Index	5,174,806	-
Currency	48,103	104,961
Interest rate	-	33,152,275
Purchase of put options	59,428,755	49,709,685
Equities	-	439,846
Index	59,390,370	125,153
Currency	38,385	703
Interest rate	-	47,632,738
Other	-	1,511,245
Sale of call options	55,803,994	47,511,344
Index	54,479,393	423,442
Currency	11,636	177,680
Interest rate	1,312,965	46,910,222
Sale of put options	126,026,359	55,545,848
Equities	29,261,379	439,846
Index	96,762,485	2,780,062
Currency	2,495	469
Interest rate	-	52,325,471

(In thousands of reais)

b. Financial assets held for trading

	2012		2011
	Amortized cost	Market	Market
Equities	385,708	279,709	293,101
Corporate bonds issued abroad	83,989	86,608	95
US Agencies	1,812,180	1,832,296	7,060,955
Brazilian government bonds	544,236	557,422	249,233
Foreign government bonds			
United States	19,725,159	19,597,960	10,703,378
Others	5,695	9,794	-
Investment fund quotas	524,929	600,763	412,757
	23,081,896	22,964,552	18,719,519

c. Financial liabilities held for trading

This item comprises short-selling transactions primarily US treasures, totaling R$ 855,796 and R$ 4,979,914, as at December 31, 2012 and 2011.

d. Financial assets available for sale

	2012	2011
STR Projetos e Participações em Recursos Naturais S.A. (STR)	-	170,466
BTG Pactual Principal Investments FIP (FIP Principal)	627,236	306,091
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	74,462	-
União de Lojas Leader S.A. (Leader)	340,291	-
Other investments	2,952	3,831
	1,044,941	480,388

STR

Our subsidiary BTGP Stigma Participações S.A. held direct interest in BTG Pactual Delta Participações S.A., which represented indirect interest in STR Projetos e Participações em Recursos Naturais. Our interest on BTGP Stigma Participações S.A. was sold on July 4, 2012, for total amount of R$ 699 million, in a transaction executed in the Brazilian stock exchange. The BTG Pactual Stigma Participações S.A. was sold to STR Projetos e Praticipações Ltda. and the amount was totally settled.

BTGI has agreed to guarantee certain obligations via a credit default swap (CDS), on loans provided by Banco BTG Pactual S.A. to Petra Energia S.A., which is part of Group STR. BTGI's management has evaluated the transaction and concluded that it is necessary to record a liability at fair value for the CDS in the transaction totaling R$ 254 million.

(In thousands of reais)

FIP Principal

The table below shows the investments comprising the FIP Principal and the Company's direct and indirect interest:

Investment	Description / Segment activity	Equity interest in 2012(%)	2012	2011
NTNB (i)	National Treasury Notes - Series B		1,852	161,866
Debentures				
A!Bodytech (ii)	Fitness segment	30.00%	137,866	-
Equity interest				
Brasbunker Participações S.A. (ii)	Maritime transport and logistics services and environmental protection for the oil and gas sector	39.84%	237,789	237,789
Brazil Pharma S.A. (i)	Pharmaceutical retail company	11.79%	337,383	150,585
Leader Participações S.A. (ii)	Retail company	22.93%	325,215	-
CCRR Participações S.A. (ii)	Adhesives, labels and special paper company	56.82%	142,320	88,120
Estre Participações S.A. (ii)	Waste collection, treatment and disposal	27.41%	534,750	303,300
UOL Universo on Line S.A. (ii)	Internet and server provider	6.40%	144,804	-
Other	Other assets or liabilities, net	-	3,129	158
			1,865,108	941,818
Direct and indirect interest in FIP Principal			33.63%	32.50%
Total estimated interest in FIP Principal			627,236	306,091

(i) Measured at fair value
(ii) Measured at cost

The joint venture BTGI investments in FIP are made via three different feeder entities, over which BTGI does not have significant influence and therefore it is classified as available for sale financial instrument. Management of the FIP is performed by BTG Pactual Gestora de Recursos S.A., a subsidiary of Banco BTG Pactual S.A.

Company's management concluded that, except for the investment in Brazil Pharma S.A. which is a public traded company, it is not practicable to determine with reasonable certainty the fair value of the remaining investments at the balance sheets dates. Consequently, these investments are recorded at cost (fair value at acquisition), and restated at fair value only upon occurrence of a liquidity event or when there is a high probability that the amount can be reliably measured.

Infrastructure fund

Investment	Description / Segment activity	Equity interest in 2012(%)	2012	2011
Latin America Power Holding B.V.	Energy sector	14.89%	35,984	-
SETE Participações S.A.	Oil and gas	0.74%	29,710	-
Contrail S.A.	Logistics services	19.45%	7,209	-
Other	-		1,558	-
Total of investments in Infrastructure fund			74,462	-

(In thousands of reais)

Leader

On June 20, 2012, BTGI together with FIP, through the holding company MFRSPE, concluded the acquisition of 40% interest of Leader Participações S.A. ("Leader") for a total of R$ 665.1 million being R$ 558.4 million paid directly to its shareholders and R$ 106.7 million as capital increase in Leader.

At the end of September 2012, the call option was exercised, which represented equity interest of 30% in Leader totalying R$ 335 million and paid in installments during the fourth quarter of 2012. Additionally, R$ 80 million was retained for possible indemnification for the sellers.

On November 5th, 2012 via corporate reorganization, MFRSPE was merged into Leader Participações S.A., which was merged on December 17, 2012 by União de Lojas Leader S.A. ("União de Lojas").

Therefore, after the reorganization process, BTGI holds interest on União de Lojas, classified as financial asset available for sale as follows: (i) of 22.93% via FIP and (ii) 23.97% indirectly through another subsidiary.

In addition, through its subsidiary Harpia, BTGI holds interest on União de Lojas, classified as non-current assets held for sale of 23.10%, held for the purpose of sale which is expected to occur in fiscal year of 2013.

União de Lojas holds interest in Leader S.A. Administradora de Cartões de Crédito ("LeaderCard") of 50% and 100% of Leader.com.br S.A. ("Leader.com.br"), based in Rio de Janeiro.

e. Loans and receivables

	2012	2011
Partners (i)	550,707	374,914
BTG Pactual Holding S.A.	1,385	1,278
ATLL Concessionaria de La Generalitat de Catalunya S.A (i)	168,315	-
Other	1,412	-
	721,819	376,192

(i) These loans are indexed to CDI or Libor and have maturities generally above one year.

f. Financial liabilities at amortized cost

As at December 31, 2012 and 2011, liabilities comprised mainly of loans with financial institutions abroad indexed to Libor rate variation, maturing up to June 2014.

g. Reclassifications

There were no reclassifications among categories in the year ended December 31, 2012 and 2011.

BTG Investments LP.

Notes to the consolidated financial statements
Year ended on december 31
(In thousands of reais)

h. Fair value of financial instruments

The fair values of financial instruments are being measured, using the same methods adopted by the Company in the last annual financial statements. The summary of assets and liabilities classified according to asset pricing is as follows:

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments	246,867	263,391	-	510,258
Financial assets held for trading	22,353,995	610,557	-	22,964,552
Financial assets available for sale	-	-	1,044,941	1,044,941
	22,600,862	873,948	1,044,941	24,519,751
Liabilities				
Derivative financial instruments	274,187	298,607	276,686	849,480
Financial liabilities held for trading	855,796	-	-	855,796
	1,129,983	298,607	276,686	1,705,276

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments	7,467	16,885	-	24,352
Financial assets held for trading	17,100,704	1,618,721	94	18,719,519
Financial assets available for sale	-	-	480,388	480,388
	17,108,171	1,635,606	480,482	19,224,259
Liabilities				
Derivative financial instruments	17,414	210,350	81,321	309,085
Financial liabilities held for trading	4,979,914	-	-	4,979,914
	4,997,328	210,350	81,321	5,288,999

No significant reclassification between levels 1 and 2 was carried during the years ended December 31. Changes in level 3 for the year are as follows:

	Derivative financial instruments (liability)	**Financial assets held for trading**	**Financial assets available for sale**	**Total**
Balances at December 31, 2011	(81,321)	94	480,388	399,161
Acquisitions	(269,679)	-	710,264	440,585
Sales / maturity	-	(112)	(699,728)	(699,840)
Gains (losses) recognized in:				
Income Statement	74,314	18	568,215	642,547
Other Comprehensive Income	-	-	(14,198)	(14,198)
Balances at December 31, 2012	(276,686)	-	1,044,941	768,255

(In thousands of reais)

9. Amounts due from/ to brokers

Assets and liabilities included in this item are shown in the table below:

	2012	2011
Due from brokers		
Custodian bank		
Banco BTG Pactual S.A.	38,644	30,362
Main brokers		
UBS AG	1,141,235	5,303,544
Citigroup	56,383	8,149,590
Bank of America	51	23,319
Bank Santander	1,838	-
Others	608	275
	1,238,759	13,507,090
Offset (netting) (i)	-	(5,669,123)
	1,238,759	7,837,967

	2012	2011
Due to brokers		
Custodian bank		
Banco BTG Pactual S.A.	35,017	113,434
Main brokers		
UBS AG	246,769	7,382,222
Citigroup	-	11,129,392
Barclays Bank	-	23,321
Others	4	122
	281,790	18,648,491
Offset (netting) (i)	-	(5,669,123)
	281,790	12,979,368

(i) As of December 31, 2012, BTGI did not have balances due to and from brokers which their presentation could be offset.

10. Investment in associates and jointly controlled entities

	Shareholders' equity	Interest - %	Investment
	2012	2012	2012
B&A Mineração (i)	267,092	86.00%	229,699
Túnel de Barcelona i Cadí (ii)	283,100	65.00%	184,015
ATLL Concessionaria de La Generalitat de Catalunya S.A (ii)	404,429	39.00%	157,726
			571,440

(i) During the year ended December 31, 2012, loss of R$ 5,504 (2011 – nil) was recognized from this investment.
(ii) Due to the recent start of these companies' activities, no equity pickup has been recognized for December 31, 2012.

On July 12, 2012 BTGI entered into a partnership agreement with AGN Agroindustrial, Projetos e Participações Ltda., to jointly explore by means of a new company referred to as B&A Mineração, investment opportunities in the mining sector, focused on Brazil, Latin America and Africa. This partnership involves an investment commitment from BTGI equivalent in Reais, up to US$ 520 million, to finance its business plan, development and organic expansion and acquisitions. BTGI has concluded that B&A Mineração is a jointly-controlled entity because it has veto rights to certain significant matters and is able to indicate half of the board of the directors. This operation was concluded on September 11, 2012, and its investment amounts to R$ 229,699 as of December 31, 2012.

On 27 November 2012, BTGI, Acciona S.A. and a consortium of investors were awarded the management concession for Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona, for a period of 50 years. BTGI and Acciona will both have a 39% equity interest in a newly established company ATLL Concessionaria de La Generalitat de Catalunya S.A. ("ATLL"), and both have veto rights to certain significant matters. The total concession fees are EUR 1,047 million, of which EUR 310 million was paid on the signing of the contract and the remainder will be paid in 50 annual installments. Furthermore, Acciona has been engaged as an operator and manager of the concession during the concession period of 50 years. As of December 31, 2012 BTGI had an investment equivalent to R$ 157.7 million, loans equivalent to R$ 168.3 million (Note 8(e)) and has contracted a counter-guarantee of EUR 11.7 million as part of the agreement recorded in other assets.

On 28 December 2012, BTGI and Abertis Infraestructuras S.A. reached an agreement with the Catalonian Government for the operation and maintenance of Vallvidrera and Cadi tunnels. The objective of the agreement is to assume a EUR 430 million concession fee through a newly established company Tunels de Barcelona i Cadi ("Tunels"), in which BTGI, via its subsidiary BTG Pactual Spanish Trading Holdings Ltd, and Abertis have equity interests of 65% and 35%, respectively. Tunels made an initial payment of EUR 310 million to the Catalonian Government, 30% funded by shareholders' capital and 70% by loans. The remaining concession fee amount will be paid at the end of the concession agreement in 2037. As of December 31, 2012 BTGI had an investment equivalent to R$ 184 million which corresponds substantially to its fraction on the initial payment to the government made by Tunels. Furthermore, Abertis has been engaged as operator of the concession during the concession period of 25 years. BTGI and Albertis have agreed to jointly manage the concession through joint decisions on the significant matters.

As at December 31, 2011, the Company had no investments in associates and joint ventures.

11. Shareholders' equity

a. Capital

As at December 31, 2012, BTG Investments, LP, fully subscribed and paid in capital consists of 2,714,902,212 shares (2011 – 2,400,000,000), of wich 1,674,623,797 class A common shares (2011 – 1,663,190,341), 277,707,809 class B common shares (2011 – 289,141,265), 402,644,988 class C common shares (2011 – 1) and 359,925,618 class C common shares (2011 – 447,668,394).

In BTGI's shareholders meeting held on January 31, 2012 was approved the conversion of 11,433,456 class B shares into class A.

In BTGI's shareholders meeting held on April 24, 2012 was approved: (i) conversion of 72,900,000 class D shares into class C and; (ii) capital increase of R$ 508,791 through the issuance of 248,400,000 class C shares.

In BTGI's shareholders meeting held on October 25, 2012 was approved the conversion of 44,594,229 class D shares into class C.

As at November 13, 2012 there was capital incresase in the amount of R$ 101,316 through the issuance of 59,596,008 class D shares.

(In thousands of reais)

In BTGI's shareholders meeting held on November 19, 2012 was approved the conversion of 29,844,555 class D shares into class C.

As at December 20, 2012 there was capital incresase in the amount of R$ 13,400 through the issuance of 6,906,204 class C shares.

BTG Investment LP	Common shares - Quantity				
	Class A	Class B	Class C	Class D	Total
Outstanding at December 31, 2011	1,663,190,341	289,141,265	1	447,668,394	2,400,000,001
Outstanding at December 31, 2012	1,674,623,797	277,707,809	402,644,988	359,925,618	2,714,902,212

Class A – Class A common shares are fully paid and are held by partners. Common A shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class B - Class B common shares were issued and fully paid. Class B common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class C – Class C common shares authorized correspond to the interest held by the market after the Initial Public Offering ("IPO"). Class C common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class D – Class D common shares held by the investors that participated in the capital increase in December 2010. Class D common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital. The holders of Class D have certain veto rights related to the transfer of equity interests and liquidity request.

b. Withdrawal agreement

At the closing of the IPO, BTGI, BTG Bermuda Holdco and each of the investors that participated in the capital increase of BTGI in December 31, 2010 and hold Class D shares issued by BTGI entered into a withdrawal agreement, determining certain procedures and restrictions: (i) Class D investors may require from BTGI the total or partial cancellation of its equity interests, (ii) BTGP would contribute, through BTG Bermuda Holdco, to BTGI a number of Class A and B shares of BTGP (one-third of which corresponding to Class A shares and two-thirds corresponding to Class B shares) equal to the equity interest corresponding to Class D shares in BTGI, which are being cancelled by the investors, and Class A and B shares of BTGP would be delivered to the investors, and (iii) BTGI would issue to BTG Bermuda Holdco a number of Class C shares equal to the number of Class D shares held in BTGI to be delivered. After the conclusion of these transactions, BTGP, indirectly through BTG Bermuda Holdco, holds greater equity interest in BTGI, due to the higher percentage of interest held in BTGI.

c. Dividends

The Company has not paid dividends for the year ended on December 31, 2012 (2011 – R$ 1,367).

(In thousands of reais)

12. Other comprehensive income

Comprise the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the US dollar, and translation of the parent's consolidated financial statements from its functional currency (US Dollar) to its presentation currency (reais). The amounts are directly recognized in other comprehensive income, under shareholders' equity, according to IAS 21, in the amount of R$ 322,978 (2011 – R$ 291,559), and the fair value changes in the financial assets available for sale in the amount of R$ (14,198) (2011-nil).

13. Earnings per share

	2012	2011
Net income attributed to controlling shareholders	910,921	171,992
Weighted average per thousand shares outstanding during the year	2,582,218	2,400,000
Earnings per share - Basic (in Reais)	0.35	0,07
Earnings per share - Diluted (in Reais)	0.35	0.07

14. Interest income (expenses)

Interest income recognized in the consolidated statement of income comprises interest accumulated in the year from loans. The breakdown of this item as at December 31 is as follows:

a. Interest income

Interest income recognized in the statement of income comprise interest accumulated in the year from loans transactions.

	2012	2011
Loans and receivables	36,158	(2,139)
Interest on open market investments	11,871	7,491
	48,029	5,352

b. Interest expenses

	2012	2011
Funding expenses	(31,511)	(16,732)
Foreign exchange	(50,707)	-
Interest on loans and financing	(6,704)	(6,632)
	(88,922)	(23,364)

(In thousands of reais)

15. Gain (losses) on financial instruments held for trading

	2012	2011
Derivatives	94,595	(364,391)
Financial assets and liabilities held for trading	543,298	638,178
	637,893	273,787

16. Fees and commissions

Fees and commissions in 2011 refer to income generated by the subsidiaries transferred to Banco BTG Pactual S.A., as described in Note 4(a). Therefore, no fees and commissions have been recognized for this item in 2012.

17. Administrative expenses

	2012	2011
Professional fees (i)	(207,223)	(89,046)
Expenses related to financial market	(44)	(7,128)
Other administrative expenses	(368)	(25,916)
	(207,635)	(122,090)

(i) Refers to expenses related primarily to management fee and performance fee.

18. Personnel expenses

Personnel expenses were incurred in subsidiaries transferred to Banco BTG Pactual S.A. in July 2011 (Note 4(a)). Therefore, no such expenses were incurred in 2012 (2011 - R$ 74,899).

(In thousands of reais)

19. Related parties

The balances of related-party transactions, which are carried out based on usual market rates and conditions, are reflected in the following items:

a. Subsidiaries, related parties and shareholders

			Assets (Liabilities)		Revenues (Expenses)	
	Relationship	**Maturity**	**2012**	**2011**	**2012**	**2011**
Assets						
Cash and cash equivalents						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	22,210	3,677	-	-
Loans and receivables						
- Sócios (i)	Partners	11/21/2032	68,512	374,914	2,610	2,820
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Related	2/14/2013	168,315	-	-	-
- BTG Pactual Holding S.A.	Related	8/10/2031	1,385	1,278	7	122
Due from brokers						
- Banco BTG Pactual S.A. (ii)	Related	-	38,644	30,362	-	-
Derivative financial instruments						
- BTG Pactual Saúde FIP (ii)	Related	-	-	-	2,700	-
Sundry						
- BTG MB Investments (iii)	Related	5/31/2015	40,466	34,985	2,340	30,225
- Banco BTG Pactual S.A. (ii)	Related	1/17/2013	22,032	-	-	-
Liabilities						
Derivative financial instruments						
- Banco BTG Pactual S.A. (ii)	Related	7/4/2014	(284,323)	(81,334)	9,759	(76,608)
Trading financial liabilities						
- Banco BTG Pactual S.A. (ii)	Related	2/25/2013	(35,017)	-	7	-
Financial liabilities at amortized cost						
- BTG Alpha Investments LLC (iii)	Related	-	(30,658)	-	-	-
- Leblon Investment Fund Limited	Related	-	-	(104,614)	(397)	(862)
- ASE Investment Fund	Related	-	-	(2,814)	(5)	(30)
Other liabilities						
- BTG PactuaL Global Asset Management Limited (ii)	Related	No maturity	(37,363)	-	(217,837)	-
- BTG Pactual Asset Management S.A. DTVM (ii)	Related	No maturity	-	-	-	(15,802)
- BTG Pactual Gestora de Recursos Ltda (ii)	Related	No maturity	-	-	-	(8,096)

(i) Considered as BTGI related parties only Executive Directors partners
(ii) Subsidiaries of Banco BTG Pactual S.A, ultimate controlled by BTG Pactual Holding S.A.
(iii) Subsidiaries of BTG MB Investments, LP.

b. Management compensation

As described in Note 1, no management compensation was recognized in the year ended December 31, 2012. In December 31, 2011 management compensation was R$ 10,554 and refers only to BTGI management.

(In thousands of reais)

20. Other information

a. Cash and cash equivalents

Balances at beginning of year	**2012**	**2011**
Cash and cash equivalents	31,875	995,509
Open market investments	2,995,898	5,745,441
	3,027,773	6,740,950

Balances at end of year	**2012**	**2011**
Cash and cash equivalents	78,813	31,875
Open market investments	11,163	2,995,898
	89,976	3,027,773

b. Equity kicker

BTGI granted to the Merchant Banking Partnership (BTG MB Investments) a series of loans totaling R$ 92.4 million to finance the acquisition of BTG Alpha Investments LLC. These loans were fully repaid in November 2010. However, according to the related agreements, BTGI remains with the right to receive a portion of profits made on certain of BTG MB's investments held (or acquired in the using funds from said loans).

Such profit sharing is only due in investments made by BTGI and transferred to BTG MB Investments, and it does not apply to any other BTG MB Investments, Pactual Group investments, or those made by BTG Pactual Group's private equity funds. This right is only due on May 21, 2015, or in the event these assets are not sold through that date, postponing it to the date of sale of all investments. As of December 31,2012 the company had an estimate receivable amount of R$ 40,466 relating to the equity kicker.

c. Commitments and responsibilities

BTGI has entered into several investment opportunities mainly in the private equity business. The drawdown notice is subject to investment opportunities identified and agreed and therefore it is difficult to precisely estimate the cash outflows relating to these commitments. As of December 31, 2012 the total commitment undrawn was approximately R$ 1,759 million and it represented substantially by the investments in private equity funds and the joint ventures, mainly B&A Mineração.

21. Subsequent events

In February 2013, the Company entered into loan contracts with banks totaling USD300 million (aprox. R$609 million). The first loan in the amount of USD 200 million is indexed to three-month Libor plus 2.1% per year and due on July 2014. The second loan in the amount of USD 100.0 million has a fixed coupon of 2.15% per year and is due on August 2014. Both loans are guaranteed by the Company and BTG Pactual Holding S.A. ("BTG Holding") which together are required to attend certain financial covenant such as: (i) combined indebtedness must remain below 50% of Company and BTG Holding's total tangible net worth; and (ii) may not distribute dividends in excess of 35% of Company and BTG Holding's combined net income. The Company have also pledged shares of União de Lojas Leader, equivalent to 47.07% of the interest on its capital, as a guarantee to one of the loans and agreed on cross-default provisions on liabilities of BTG Holding and any of its subsidiaries and BTGP.

Consolidated Financial Statements

BTG Investments LP

As of December 31, 2011, 2010 and 2009

with Independent Auditor's Report

BTG Investments LP

Consolidated financial statements

As of December 31, 2011, 2010 and 2009

Contents

A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in Brazilian currency and in accordance with IFRS

Independent auditors' report

To the Board of Directors and Shareholders

BTG Investments LP

We have audited the accompanying financial statements of BTG Investments LP and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2011, 2010 and 2009 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated cash flows statements for the three years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of BTG Investments L.P. as of December 31, 2011, 2010 and 2009 and of its financial performance, changes in its shareholders' equity and its cash flows for the three years then ended in accordance with International Financial Reporting Standards.

April 2, 2012

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Flávio Serpejante Peppe
Partner

BTG Investments LP

Consolidated balance sheets
As of December 31
(In thousands of Reais)

	Notes	2011	2010	2009
Assets				
Cash and cash equivalents	6	31,875	995,509	86,963
Financial instruments				
Open market investments	7	2,995,898	5,745,441	7,066,074
Derivative financial instruments	8	24,352	65,900	216,357
Financial assets held for trading	9	18,719,519	17,089,248	16,562,779
Financial assets available for sale	10	480,388	182,925	-
Loans and receivables	12	376,192	347,030	1,886,924
Receivables from brokers	13	7,837,967	6,058,895	939,922
Other assets		117,952	205,120	148,940
Property, plant and equipment		39	9,744	3,172
Assets held for sale	14	-	-	71,011
Total assets		30,584,182	30,699,812	26,982,142

The accompanying notes are an integral part of these consolidated financial statements

BTG Investments LP

Consolidated balance sheets
As of December 31
(In thousands of Reais)

	Notes	2011	2010	2009
Shareholders' equity and liabilities				
Financial instruments				
Open market funding	7	9,916,457	8,190,758	8,219,292
Derivative financial instruments	8	309,085	55,816	149,870
Financial liabilities held for trading	9	4,979,914	13,963,558	15,391,314
Financial liabilities at amortized cost	15	107,428	565,626	689,607
Payables to brokers	13	12,979,368	5,949,870	117,767
Other liabilities	16	91,573	236,011	518,646
		28,383,825	28,961,639	25,086,496
Shareholders' equity	17			
Capital		1,990,348	1,990,348	1,467,962
Retained earnings		335,251	164,626	772,807
Foreign currency translation reserve		(125,242)	(416,801)	(345,123)
		2,200,357	1,738,173	1,895,646
Total of the shareholders' equity and liabilities		30,584,182	30,699,812	26,982,142

The accompanying notes are an integral part of these consolidated financial statements

BTG Investments LP

Consolidated income statements
Years ended December 31
(In thousands of reais, except earnings per share information)

	Notes	2011	2010	2009
Interest income	22	5,352	54,773	75,239
Interest expense	22	(23,364)	(54,109)	(39,359)
Net interest (expense)/income		(18,012)	664	35,880
Net gain on financial instruments held for trading		273,787	452,197	967,996
Fees and commissions	20	99,856	116,735	61,227
Other income		24,259	2,741	173,606
		379,890	572,337	1,238,709
Administrative expenses	21	(122,090)	(141,311)	(192,825)
Personnel expenses		(74,899)	(96,996)	(267,951)
Tax expenses (other than income tax)		(3,166)	(7,140)	(4,560)
Other expenses		(7,743)	(10,675)	(23,198)
		(207,898)	(256,122)	(488,534)
Net income for the year		171,992	316,215	750,175
Earnings (loss) per share (basic and diluted)	18	R$0.07	R$0.13	R$0.33

The accompanying notes are an integral part of these consolidated financial statements

BTG Investments LP

Consolidated statements of comprehensive income
Years ended December 31
(In thousands of reais)

	2011	2010	2009
Net income for the year	171,992	316,215	750,175
Other comprehensive income			
Translation adjustments	291,559	(71,678)	(345,123)
Total comprehensive income for the year	463,551	244,537	405,052

The accompanying notes are an integral part of these consolidated financial statements

BTG Investments LP

Consolidated statements of changes in shareholders' equity
Years ended December 31,
(In thousands of reais)

	Attributed to the Shareholders			
	Capital	Retained earnings	Foreign currency translation reserve	Total
As of December 31, 2008	288,621	24,347	-	312,968
Net income for the year	-	750,175	-	750,175
Issuance of shares	1,179,341	-	-	1,179,341
Declared dividends	-	(1,715)	-	(1,715)
Translation adjustments	-	-	(345,123)	(345,123)
As of December 31, 2009	1,467,962	772,807	(345,123)	1,895,646
Net income for the year	-	316,215	-	316,215
Issuance of shares	668,635	-	-	668,635
Repurchase of shares	(28,099)	-	-	(28,099)
Return of capital	(118,150)	-	-	(118,150)
Declared dividends	-	(924,396)	-	(924,396)
Translation adjustments	-	-	(71,678)	(71,678)
As of December 31, 2010	1,990,348	164,626	(416,801)	1,738,173
Net income for the year	-	171,992	-	171,992
Declared dividends	-	(1,367)	-	(1,367)
Translation adjustments	-	-	291,559	291,559
As of December 31, 2011	1,990,348	335,251	(125,242)	2,200,357

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

BTG Investments LP

Consolidated statements of cash flows
Years ended December 31
(In thousands of reais)

	2011	2010(1)	2009
Operational activities:			
Net income for the year	171,992	316,215	750,175
Equity pick-up from associates	-	-	10,576
Depreciation and Amortization	1,324	1,137	683
Adjusted to net income for the year	173,316	317,352	761,434
Changes in operating assets and liabilities:			
Open market investments	2,749,543	6,944,122	(18,592,960)
Derivative financial instruments	294,817	57,523	(81,537)
Financial assets held for trading	(1,630,271)	(1,388,841)	(19,797,946)
Financial assets available for sale	(297,463)	(197,251)	-
Receivables from brokers	(1,779,072)	(10,274,704)	(2,925,390)
Loans and receivables	(29,162)	838,524	(2,268,741)
Other assets	87,073	(67,862)	(170,217)
Open market funding	1,725,699	(5,493,660)	19,954,710
Financial liabilities held for trading	(8,983,644)	(776,504)	18,751,885
Financial liabilities at amortized cost	(458,198)	(99,502)	773,785
Payables to brokers	7,029,498	11,002,921	1,862,562
Other liabilities	(169,970)	(279,054)	610,848
Net cash (used in) provided by operational activities	(1,287,834)	583,064	(1,121,567)
Investment activities:			
Divestitures (acquisition) of investments	-	55,774	(29,760)
(Acquisition) disposal of property, plant and equipment	8,393	(7,711)	(3,855)
Net cash provided by (used in) investment activities	8,393	48,063	(33,615)
Financing activities:			
Issuance of shares	-	668,636	1,179,341
Repurchase of shares	-	(28,099)	-
Dividends paid	(1,367)	(195,981)	(1,715)
Reduction of capital	-	(118,150)	-
Net cash provided by (used in) financing activities	(1,367)	326,406	1,177,626
Net increase (decrease) in cash and cash equivalents	(1,280,808)	957,533	22,444
Cash and cash equivalents at the beginning of the year	995,509	86,963	13,907
Exchange gains/(losses) on cash and cash equivalents	317,174	(48,987)	50,612
Cash and cash equivalents at end of the year	**31,875**	**995,509**	**86,963**

(1) Amended as described in note 2(a).

The accompanying notes are an integral part of these consolidated financial statements

Error! Not a valid link.. **Corporate information**

BTG Investments, LP ("Company" or "BTGI") was incorporated as a tax exempted limited liability company under the laws of Bermuda on October 3, 2008 and commenced operations at the same date. The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2016, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

The Company and its subsidiaries was formed by the Partners for the purpose of mutually engaging in any lawful business purpose or activity for which limited partnerships may be formed under the Partnership Act, with a common view to profit.

On July 27, 2011, continuing the restructuring process of the BTG Pactual Group, Banco BTG Pactual S.A. indirectly acquired from BTGI the shares, by the book value, representing the capital shares of (i) BTG Pactual US Asset Management Corp., based in New York, USA, (ii) BTG Pactual Asia Ltd. with domicile in Hong Kong, China, (iii) BTG Pactual US Capital Corp, incorporated in Delaware, USA, (iv) BTG Pactual Global Asset Management Ltd. domiciled in Bermuda, (v) BTG Pactual Carry LP, domiciled in George Town, Cayman Islands, and (vi) 99.3% of the shares representing the capital of BTG Pactual Europe LLP, with domicile in London, England.

The financial statements were approved by the General Partner on April 2, 2012.

2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by International Accounting Standards Board (IASB). Assets and liabilities are stated mainly at fair value as disclosed in the accounting policies herein.

The preparation of the financial statements requires the use of certain critical accounting estimates and also management judgment in the process of application of its accounting policies. Those areas that require a higher degree of judgment or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (3). Accordingly, actual results could differ from those estimates.

(a) Amendment of the statement of cash flows

Subsequent to the issuance of the financial statements for the year ended December 31, 2011, the Company's management amended the presentation of the cash flows of the dividends in kind in the amount of R$ 728,415 declared in 2010 in order to eliminate it from the movements of the Loans and receivables (operating activities) and Dividends paid (financing activities) . There were no changes to the total assets, shareholders' equity and total liabilities, net income for the year.

3. Summary of significant accounting policies

We list below the standards issued that had not yet come into force until the date of issuance of the Company's consolidated financial statements. This list of standards and interpretations issued includes those that the Company reasonably expected to have an impact on the disclosures, financial condition or performance through its application at a future date. The Company intends to adopt such rules when they come into force.

• **IAS 1 Presentation of Financial Statements -** Presentation of Items of Other Comprehensive Income. This amendment shall become effective for annual periods beginning on or after January 1, 2012.

• **IAS 27 Consolidated and Separate Financial Statements (revised 2011)**
As a result of recent IFRS 10 and 12, which remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. This amendment becomes effective for annual periods beginning on or after January 1, 2013.

• **IAS 28 Accounting for Investments in Associates and Joint Ventures (revised 2011)**

As a result of recent IFRS 11 and IFRS 12, IAS 28 is replaced by IAS 28 Investments in Associates and Joint Ventures, and describes the application of equity method for investments in joint ventures, and investment in associates. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company's management assessed the revision of the standard and found no impact on the financial statements.

• **IFRS 7 Financial Instruments: Disclosures**

This amendment requires additional disclosures about financial assets that were transferred but not derecognized in order to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement with the derecognized financial assets to enable the user to evaluate the nature of the entity's continuous involvement with the derecognized assets disposed of, as well as the associated risks.

This amendment shall become effective for annual periods beginning on or after July 1, 2011. The amendment in question affects only disclosures and has no impact on performance or financial position. The Company's management assessed the revision of the standard and do not expect significant impact on the financial statements.

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on the replacing IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be concluded at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but will not bring potential impacts on the classification and measurement of financial liabilities. The Company will quantify the effect of this amendment in conjunction with other phases, when issued.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Company's management assessed the revision of the standard and found no impact on the financial statements.

The IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require management to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Agreements

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

• IFRS 13 - Fair Value Measurement

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

a) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. The estimates are based on historical experience and various other factors that the management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b) Functional currency and of presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. dollar, since the majority of the Company's business transactions are in the mentioned currency.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. dollars are converted into U.S. dollar exchange rates closing at the end of each period. The equity transactions are translated using the historical date. Transactions during the closing of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in “translation adjustments” in the statement of comprehensive income.

Presentation currency

The financial statements prepared in accordance with IFRS, as mentioned above, are presented in Reais that is the presentation currency.

These consolidated financial statement is presented using the Real as its reporting currency exclusively to meet the specific requirements of the Federal Securities Commission (CVM), the Brazilian regulatory body.

The conversion of U.S. dollar functional currency into reais was recorded pursuant to the methodology described in IAS 21 – *The effects of changes in exchange rates,* and are summarized below:

The Assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date.

Income and expenses for each comprehensive income and separate income statement presented were translated at the exchange dates at the transaction.

For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows.

All resulting translation differences are recognized in “translation adjustments” in the statement of comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flow include cash on-hand, current accounts without restrictions and, when applicable,receivables from banks on demand or with original maturity of three months or less.

On December 31, 2011, 2010 and 2009, cash and cash equivalents were comprised by bank deposits.

d) Revenue and expense recognition

(i) Fees and commissions

Revenues from fees and commissions are recognized in the period in which such revenues are unconditionally earned and amounts are fixed or determinable.

(ii) Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

The interest on financial instruments at fair value through profit and loss are recorded in “Net gain on financial instruments held for trading”.

(iii) Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments measured at fair value are recorded in "Net gain on financial instruments held for trading", and dividends received on financial assets as available for sale are classified as "Dividend income”.

e) Going concern

Management evaluated the Company’s capacity to continue operating as usual and has concluded that the Company 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.

f) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value are recorded in expenses "Net income from financial instruments". Interest revenue, expenses and dividends are registered as "Interest income" and "Interest expense", pursuant to the terms of the agreement or according to the payment agreed.

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modify the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Changes in the fair value are recorded in “Net gain on financial assets or liabilities designated at fair value through profit and loss”. Earned or incurred interest is allocated to “Interest income” or “Interest expense”, respectively, using the effective interest rate method, while dividend revenues are recognized as “Other income” when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as “Net gain on financial instruments available for sale.”

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net results with financial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognised.

(viii) Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Due from brokers and loans and receivables

Due from brokers and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, due from brokers and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or

- The Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:

- There is substantial transfer of all risks and benefits of the asset; or

- There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the Company have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaires.

(ii) Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in “open market funding”. The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet .

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

Borrowing and loans

Borrowings transactions and loans are generally collateralized by securities or cash. The transfer of the security to the counterpart is only reflected in the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or cash received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the balance sheet, except if they have been sold to third parties, in which case the obligation to return the security is recorded as “financial liabilities held for trading” with gains or losses including in net gain on financial instruments held for trading".

Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

Financial instruments – Offsetting

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

Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(I) Financial assets accounted at the amortized cost

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

g) Receivables from / payable to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

h) Accounts receivable / payable to others

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

i) Property, plant and equipment

Property, plant and equipment is accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment is written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statement of income when the asset is disposed.

j) Impairment of nonfinancial assets

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU).

k) Provisions

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

l) Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the extraordinary general meeting / meeting.

m) Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

4. Basis of consolidation

a) Subsidiaries

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration, when applicable. Costs related to acquisition are recorded in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair values at the acquisition date. The Company recognizes the non-controlling interest acquired by the pro rata share of non-controlled participation in the fair value of net assets acquired. The measurement of non-controlling interest to be recognized is determined on each purchase made.

The excess consideration transferred and the fair value at the date of acquisition of any previously owned equity interest in the acquiree, in relation to the fair value of identifiable net assets acquired is recorded as goodwill. In acquisitions in which the Company allocates fair value to non-controlling interest, the determination of goodwill also includes the value of any non-controlling interest in the acquiree, and goodwill is determined by considering the Company's participation and non-controlling. When the consideration transferred is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in the income statement for the year.

BTG INVESTMENTS LP

Notes to the consolidated financial statements

Year ended on December 31, 2011

(In thousands of Reais)

Intercompany transactions, balances and unrealized gains on transactions between subsidiaries of the Company are eliminated. The unrealized losses are also eliminated unless the transaction provides evidence of a loss (impairment) of the transferred asset. The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

The consolidated financial statements comprise the financial statements of the Company and the following subsidiaries:

	Capital share - %		
	2011	**2010**	**2009**
BTG Pactual Proprietary Feeder Limited	100.00	100.00	100.00
BTG Pactual Global Asset Management Limited (*)	-	100.00	100.00
BTG Loanco LLP	100.00	100.00	-
BTG Pactual Stigma LLC	100.00	100.00	-
BTGP Reinsurance Holdings LP	100.00	100.00	-
BTG Pactual Europe LLP (*)	-	100.00	100.00
BTG Pactual Asset Management US, LLC (*)	-	100.00	100.00
BTG Asset Management (UK) LLP (*)	-	100.00	100.00
BTG GAM UK Limited (*)	-	100.00	100.00
BTG Equity Investments LLC	100.00	100.00	100.00
BTG Pactual US Capital, LLC (*)	-	100.00	100.00
BTG Pactual Asia Limited (*)	-	100.00	100.00
BTG Pactual Absolute Return Master Fund LP	100.00	100.00	100.00
BTG Gestora de Recursos Ltda.	-	-	99.99
BTGP Stigma Participações S.A.	100.00	100.00	-
BTG Pactual Brazil Investment Fund I, LP	100.00	100.00	-
Preserve Insurance Co. Ltd	100.00	100.00	-

(*) The controlling ownership of these subsidiaries was transferred to Banco BTG Pactual S.A., as part of a restructuring process of Group BTG Pactual, and did not generate any impact on the income statements.

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Company, subsidiaries, directly and indirectly, and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

(In thousands of Reais)

5Error! Not a valid link.**.Business combination**

During the years ended on December 31, 2011 and 2010, the Company did not have any business combination.

On February 28, 2009 the Company acquired the entire issued and outstanding share capital in Lentikia Capital LLP and Lentikia Capital Administração de Recursos Ltda. Consequently, the results of these Companies have been consolidated since the acquisition date. The purchase price paid was R$ 1,515. These acquisitions were accounted for as business combinations, and thus the purchase price was allocated to the identifiable assets and liabilities acquired based on their fair values at acquisition date.

The following table summarizes the final allocation of the fair value of assets acquired and liabilities assumed:

	Lentikia Capital LLP	**Lentikia Capital Administração de Recursos Ltda**	**Total**
Assets acquired			
Cash and cash equivalents	22,078	1,361	23,439
Accounts receivable	6,556	1,282	7,838
Fixed assets, net	239	154	393
Other assets	502	-	502
Total assets acquired	29,375	2,797	32,172
Liabilities assumed			
Accounts payable	(6,185)	(360)	(6,545)
Dividends	-	(1,556)	(1,556)
Other liabilities	(2,870)	(699)	(3,569)
Total liabilities assumed	(9,055)	(2,615)	(11,670)
Net assets acquired	20,320	182	20,502
Purchase price			1,515
Bargain purchase of investments			18,987

Bargain purchase represents the excess of the fair value of the net assets acquired over the purchase price paid, and were integrally recognized in the income statement of the related year.

(In thousands of Reais)

6. Cash and cash equivalents

	2011	2010	2009
Bank deposits	31,875	995,509	86,963

Bank deposits are held with top tier financial institutions.

7. Open market investments

	2011	2010	2009
Reverse repurchase agreements	9,109,262	8,475,791	15,634,415
Netting	(6,113,364)	(2,730,350)	(8,568,341)
Net	2,995,898	5,745,441	7,066,074
Repurchase agreements	16,029,821	10,921,108	16,787,633
Netting	(6,113,364)	(2,730,350)	(8,568,341)
Net	9,916,457	8,190,758	8,219,292

In 2011, 2010 and 2009, market values of the securities provided as collateral in these operations were R$ 9,225,189, R$ 8,463,337 and R$ 15.719.992, respectively. The amounts received as collateral in 2011, 2010 and 2009 were R$ 10,221,465, R$ 11,213,177 and R$ 17.217.509, respectively.

8. Derivative Financial Instruments

The Company carries out transactions with derivative financial instruments. The Company's policy for derivatives includes procedures in force to monitor and control its use.

Derivative contracts are entered into with counterparties of top tier financial institutions and are usually of relatively short duration. All gains and losses generated by derivative transactions are included in the statement of income. On December 31, 2011, 2010 and 2009, there were no derivative financial instruments classified as hedging instruments.

(In thousands of Reais)

The Company has transacted in options, swaps and forwards during the years ended December 31, 2011, 2010 and 2009. Transactions outstanding at December 31 of the respective years are:

	2011		2010		2009	
	Assets (Liabilities)	Notional	Assets (Liabilities)	Notional	Assets (Liabilities)	Notional
Futures						
Currency	474	126,631	-	-	5	6,713
Interest rate	(13,466)	4,974,345	-	-	28,066	19,343,775
Index	111	40,835	-	-	(6,628)	1,804,731
Commodities	-	85	-	-	(531)	17,952
	(12,881)	5,141,896	-	-	20,912	21,173,171
Forwards						
Currency	(88,449)	1,148,388	(1,260)	3,629	4,855	4,814,742
Interest rate	-	-	-	-	11,003	11,308
	(88,449)	1,148,388	(1,260)	3,629	15,858	4,826,050
Options	(86,880)	186,024,114	(9,613)	99,900	25,469	109,430
Credit derivatives	(16,289)	93,755	20,957	22,624	2,930	12,472
Swaps						
Interest rate	-	9,151	-	-	6,709	852,762
Equities	(80,234)	17,632,552	-	-	(5,391)	23,539
	(80,234)	17,641,703	-	-	1,318	876,301
Total	(284,733)	210,049,856	10,084	126,153	66,487	**26,997,424**

9. Financial assets and liabilities held for trading

	2011	2010	2009
Financial assets			
Equities	293,101	542,033	77,973
Bank debt	95	83	10,168
US Agencies	7,060,955	5,699,673	1,149,352
Debt bonds			
Sovereign	10,952,611	10,847,459	13,982,736
Corporate	-	-	1,342,550
Investment funds	412,757	-	-
	18,719,519	17,089,248	16,562,779
Financial liabilities			
Short sales	4,979,914	13,963,558	15,391,314

(In thousands of Reais)

10. Financial assets available for sale

Description	2011	2010	2009
STR Projetos e Participações em Recursos Naturais (a)	170,466	169,894	-
Investment fund quotas (b)	306,091	-	-
Others	3,831	13,031	-
	480,388	182,925	-

(a) Represented by a non-controlling interest in private (non-exchange traded) companies in the oil & gas and mining businesses.

(b) Represented by direct and indirect 32,5% stake in investment fund (BTG Pactual Principal Investments Fundo de Investimento em Participações ("FIP")). The FIP's portfolio of investments is set below:

Investiments	Business	December 31, 2011
NTNB	Brazilian Government notes (Notas do Tesouro Nacional – Série B)	161,866
Brasbunker Participações S.A.	Bunker oil	237,789
Brazil Pharma S.A.	Pharma	150,585
CCRR Participações S.A.	Adhesives, labels and specialty paper	88,120
Estre Participações S.A.	Waste recycling	303,300
Others	Others	158
		941,818
Direct and indirect stake in FIP		32.5%
Total of interest in FIP		306,091

Company's Management concluded that, except for investment in Brazil Pharma S.A., which is a publicly traded company, it is not practicable to determine with reasonable certainty the fair value of the remaining investments in the balance sheet dates. Consequently, these investments are recorded at cost (fair value at acquisition), and restated at fair value only upon occurrence of a liquidity event.

(In thousands of Reais)

11. Fair value measurement

Amendments to IFRS 7 (improving disclosures about financial instruments) were issued in March 2009. The amendments require enhanced disclosures about investments that are measured and reported at fair value. The amendment establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available quoted prices in active markets or for which fair value can be measured from quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The following table summarizes the valuation of financial assets and liabilities of the Company according to the levels of hierarchy of fair value mentioned above on December 31:

2011	Level 1	Level 2	Level 3	Total
Assets				
Equities	211,401	81,707	-	293,108
Reverse repurchase agreements	2,995,898	-	-	2,995,898
Financial assets held for trading	16,889,310	1,537,007	94	18,426,411
Derivatives	7,467	16,885	-	24,352
	20,104,076	1,635,599	94	21,739,769
Liabilities				
Repurchase agreements	(9,916,457)	-	-	(9,916,457)
Financial liabilities held for trading	(4,979,914)	-	-	(4,979,914)
Derivatives	(17,414)	(210,350)	(81,321)	(309,085)
	(14,913,785)	(210,350)	(81,321)	(15,205,456)

BTG INVESTMENTS LP

Notes to the consolidated financial statements

Year ended on December 31, 2011

(In thousands of Reais)

2010	Level 1	Level 2	Level 3	Total
Assets				
Equities	33,366	508,667	-	542,033
Reverse repurchase agreements	5,745,441	-	-	5,745,441
Financial assets held for trading	16,077,196	469,936	83	16,547,215
Derivatives	2,300	63,600	-	65,900
	21,858,303	1,042,203	83	22,900,589
Liabilities				
Repurchase agreements	(8,190,758)	-	-	(8,190,758)
Financial liabilities held for trading	(13,963,558)	-	-	(13,963,558)
Derivatives	(5,025)	(48,676)	(2,115)	(55,816)
	(22,159,341)	(48,676)	(2,115)	(22,210,132)

2009	Level 1	Level 2	Level 3	Total
Assets				
Equities	63,538	14,435	-	77,973
Reverse repurchase agreements	7,066,074	-	-	7,066,074
Financial assets held for trading	12,341,850	4,132,786	10,170	16,484,806
Derivatives	95,651	120,706	-	216,357
	19,567,113	4,267,927	10,170	23,845,210
Liabilities				
Repurchase agreements	(8,219,292)	-	-	(8,219,292)
Financial liabilities held for trading	(13,700,974)	(1,690,340)	-	(15,391,314)
Derivatives	(8,893)	(140,977)	-	(149,870)
	(21,929,159)	(1,831,317)	-	(23,760,476)

There were no significant movements between level 1 and level 2 investments during the year.

(In thousands of Reais)

The level 3 investments held relate to bank debt and are fair valued based on a single broker quote and options. The following table shows a reconciliation of all movements in the fair value of the bank debt categorized within level 3 at the beginning and the end of the year.

Financial asset held for trading - Bonds	**2011**	**2010**	**2009**
In the beginning of the year	**83**	10,170	-
Purchases	-	-	10,441
Sales	-	(8,972)	(5,220)
Unrealized gains (losses)	11	(1,115)	4,949
At the end of the year	94	83	10,170

Derivative – Options	**2011**	**2010**	**2009**
In the beginning of the year	(2,115)	-	-
Sales	(1,886)	(2,087)	-
Fair value adjustments	(77,320)	(28)	-
At the end of the year	(81,321)	(2,115)	-

12. Loans and receivables

	2011	**2010**	**2009**
BTG Pactual Participações II S.A. (a)	-	-	1,272,384
Partners (b)	374,914	344,931	543,082
BTG Pactual Holding S.A.	1,278	-	-
BTG Alpha Participações Ltda.	-	-	57,528
BTG Gestora de Recursos Ltda.	-	-	13,287
Other loans	-	2,099	643
	376,192	347,030	1,886,924

(a) Comprises several loans with BTG Pactual Participações II S.A., with no indexation and matured during 2010.

(b) Comprises several loans with the Company's shareholders, subject to CDI indexation and maturity up to 20 years.

BTG INVESTMENTS LP

Notes to the consolidated financial statements

Year ended on December 31, 2011

(In thousands of Reais)

13. Receivables from / payables to brokers

The following table shows the breakdown of the amounts with the top tier brokers and other counterparties on 31 December.

Amounts receivable from brokers	**2011**	**2010**	**2009**
Custodian			
Banco BTG Pactual S.A.	30,362	140,282	-
			-
Brokers			-
UBS AG	5,303,544	2,653,337	-
Citigroup	8,149,590	9,380,406	1,279,626
Bank of America	23,319	-	-
Bank of New York Mellon	180	158	-
Goldman Sachs	43	70	-
Barclays Bank	-	1,737	-
Deutsche Bank	28	-	-
Morgan Stanley	-	-	-
Others	24	-	-
	13,507,090	12,175,990	1,279,626
Netting	(5,669,123)	(6,117,095)	(339,704)
	7,837,967	**6,058,895**	**939,922**

Amounts payable to brokers	**2011**	**2010**	**2009**
Custodian			
Banco BTG Pactual S.A.	113,434	338,166	-
Brokers			
UBS AG	7,382,222	2,081,336	-
Citigroup	11,129,392	9,628,383	457,470
Bank of America	-	19,077	-
Barclays Bank	23,321	-	-
Morgan Stanley	26	-	-
Others	96	3	-
	18,648,491	12,066,965	457,470
Netting	(5,669,123)	(6,117,095)	(339,704)
	12,979,368	**5,949,870**	**117,767**

(In thousands of Reais)

14. Assets held for sale

On November 10, 2009, the Company's management decided to divest its investment in Alpha BTG Investments LLC ("Alpha BTG"), which is a holding company with investments in other companies. Consequently, at that time these investments were reclassified to assets held for sale. On March 21, 2010, the Company sold its stake in Alpha BTG to its affiliate BTG MB Investment LP, at book value.

15. Financial liabilities at amortized cost

On December 31, 2011, 2010 and 2009, the balances are comprised by demand notes, subject to Libor indexation, and with maturities up to December 2012 (2010 – maturities up to December 2012; 2009 – maturities up to September 2011).

16. Other liabilities

	2011	2010	2009
Marketable securities	15,030	42,909	72,847
Management fees	34,256	30,662	126,268
Bonus payable	1,875	133,358	192,171
Share repurchases	-	-	46,265
Unsettled balances	25,170	-	15,938
Other	15,242	29,082	65,157
	91,573	236,011	518,646

(In thousands of Reais)

17. Shareholders' equity

17.1. Capital

In 2010 and 2009, the Company increased capital and the number of shares through a series of issuances following summarized:

	Class A	Class B	Class D	Total
In 12/31/2008	**124,943,750**	**7,281,250**	**-**	**132,225,000**
Issuance of shares	547,754,157	49,696,798	-	597,450,955
Cancellation of shares	(41,106,402)	(772,058)	-	(41,878,460)
In 12/31/2009	**631,591,505**	**56,205,990**	**-**	**687,797,495**
Issuance of shares	20,541,506	54,966,502	447,668,394	523,176,403
Cancellation of shares	(13,344,579)	(120,802)	-	(13,465,381)
Shares split (749,840,122 shares to 1,952,331,606 shares)	1,024,401,909	178,089,575	-	1,202,491,484
In 12/31/2010	**1,663,190,341**	**289,141,265**	**447,668,394**	**2,400,000,000**
	-	-	-	-
In 12/31/2011	**1,663,190,341**	**289,141,265**	**447,668,394**	**2,400,000,000**

At December 31, 2011, 2010 and 2009 the Company had no common shares in treasury.

The capital of the Company is comprised by a general partnership interest and four classes of common shares, as follows:

Class A – Class A common shares are fully paid and are held by partners. Common A shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class B - Class B common shares were issued. Class B common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class C – Class C common shares authorized will be held directly or indirectly by BTG Pactual Participations Ltd. and correspond to the interest held by the market after the planned Initial Public Offering ("IPO"). Class C common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital.

Class D – Class D common shares held by the investors that participated in the capital increase in December 2010. Class D common shares participate in the results and distributions of the Company in accordance with their relative proportion of the capital. The holders of Class D have certain veto rights related to the transfer of equity interests and liquidity request.

General Partnership Interest – The business and affairs of the Company are managed by the holder of its general partner partnership interest. The general partnership interest does not currently hold economic interest in BTGI. However, it has the current right to influence and obtain economic rights as a result of control.

During 2010, BTGI declared R$924,396 million of dividends, which R$ 728.415 were in kind to its shareholders.

The Company has cancelled shares in 2009 and 2010 and has split the shares in 2010 without a corresponding change in resources. The weight average shares were adjusted for all periods presented to reflect the referred cancelation and split.

Withdrawal agreement

At the closing of the planned IPO, the Company, BTG Bermuda Holdco and each of the investors that participated in the capital increase in December 2010 and hold Class D partnership interests in BTGI will enter into a withdrawal agreement, pursuant to which, subject to certain procedures and restrictions, (i) such investor may surrender to the Company for cancellation any or all of the Class D partnership interests in the Company, (ii) BTG Pactual Participations will contribute, through BTG Bermuda Holdco, to the Company a number of Class A shares and Class B shares of BTG Pactual Participations (with one-third of such shares being Class A shares and two-thirds of being Class B shares) equal to the number of Class D partnership interests in the Company that are being surrendered by such investor and such shares will be delivered to such investor, and (iii) the Company will issue to BTG Bermuda Holdco a number of Class C partnership interests in BTGI equal to the number of Class D partnership interests in BTGI being surrendered. Upon consummation of these transactions, BTG Pactual Participations, indirectly through BTG Bermuda Holdco, will have a larger economic interest in the Company by virtue of holding a larger percentage of the outstanding limited partnership interests in BTGI.

17.2 Foreign currency translation reserve

Composed of differences arising from conversion of assets and liabilities of foreign subsidiaries with functional currency other than U.S. dollars, accounted for in equity (other comprehensive income) in accordance with IAS 21.

18. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the net income by the weighted average shares outstanding during the years. On December 31, 2011, 2010 e 2009, the Company does not have any events that would generate dilution.

	2011	2010	2009
Basic and diluted			
Net income for the year	171,992	316,215	750,175
Weighted average number of shares outstanding during the year (in thousands)	2,400,000	2,458,021	2,295,614
Net income per share (in R$)	0.07	0.13	0.33

BTG INVESTMENTS LP

Notes to the consolidated financial statements
Year ended on December 31, 2011
(In thousands of Reais)

19. Dividends per share

	2011	2010	2009
Declared dividends	1,367	924,396	1,715
Weighted average number of shares outstanding during the year (in thousands)	2,400,000	2,458,021	2,295,614
Dividend per share (In R$)	0.01	0.38	0.01

20. Fees and commissions

In the years ended on December 31, 2011, 2010 and 2009, refer mainly to the management fees for portfolio management.

21. Administrative expenses

	2011	2010	2009
Rent	4,248	6,564	8,299
Professional fees – related parties	10,800	22,579	21,285
Professional fees	78,246	77,454	121,734
Brokerage rebate	7,128	6,652	-
Travel, presentations and conferences	6,733	7,601	2,819
Other administrative expenses	14,935	20,461	38,688
Total	122,090	141,311	192,825

22. Interest income / expenses

a) Income

Interest income is comprised of:

	2011	2010	2009
Interest on loans and borrowings	(2,139)	12,873	75,239
Interest on open market investments	7,491	41,900	-
Total	5,352	54,773	75,239

(In thousands of Reais)

b) Expenses:

In 2011, 2010 and 2009, interest expenses are comprised of:

	2011	2010	2009
Interest expense with open market funding	16,732	44,436	30,686
Interest on loans and borrowings	6,632	9,673	8,673
Total	23,364	54,109	39,359

23Error! Not a valid link.. Transactions with related parties

a) Subsidiaries, related companies and partners

Transactions with related parties	Relationship	2011 Assets (liabilities)	2011 Income (expense)
Cash and cash equivalents			
Banco BTG Pactual S.A.	Affiliate	3,677	-
Loans and receivables			
Partners	Partners	374,914	(2,820)
BTG Pactual Holding S.A.	Affiliate	1,278	(122)
Receivables from brokers			
Banco BTG Pactual S.A.	Affiliate	30,362	-
Derivatives financial instruments			
Banco BTG Pactual S.A.	Affiliate	(81,334)	(64,910)
Amounts payable to brokers			
Banco BTG Pactual S.A.	Affiliate	113,434	-
Other assets			
BTG Pactual Principal Investments Fundo de Investimento em Participações (“FIP”)	Affiliate	306,091	
BTG MB Investments LP	Affiliate	34,985	30,225
Financial liabilities at amortized cost			
ASE Investment Fund Limited	Affiliate	(2,814)	(30)
Leblon Investment Fund Limited	Affiliate	(104,614)	(862)
Amounts payable to brokers			
Banco BTG Pactual S.A.	Affiliate	(113,434)	-
Other liabilities			
Banco BTG Pactual S.A.	Affiliate	-	(15,802)
BTG Pactual Asset Management S/A DTVM	Affiliate	-	(15,802)
BTG Pactual Gestora de Recursos Ltda.	Affiliate	-	(8,096)

(In thousands of Reais)

	2010		
Transactions with related parties	**Relationship**	**Assets (liabilities)**	**Income (expense)**
Cash and cash equivalents			
BTG Pactual Baking Limited	Affiliate	793,686	
Loans and receivables			
Partners	Partners	344,931	28,678
Financial liabilities designated at fair value through profit or loss			
BTG Pactual Baking Limited.	Affiliate	(2,115)	-
Receivables from brokers			
Banco BTG Pactual S.A.	Affiliate	140,282	
Other assets			
Banco BTG Pactual S.A.	Affiliate	4,140	-
BTG Pactual Baking Limited	Affiliate	44,853	-
BTG Pactual Corretora de Titulos e Valores Mobiliários S.A.	Affiliate	2,870	-
Loans and borrowings			
ASE Investment Fund Limited	Affiliate	12,449	(258)
Leblon Investment Fund Limited	Affiliate	303,971	(4,125)
Amounts payable to brokers			
Banco BTG Pactual S.A.	Affiliate	338,166	
Other liabilities			
Banco BTG Pactual S.A.	Affiliate	(15,330)	-
BTG Pactual Distribuidora de Titulos e Valores Mobiliários S.A.	Affiliate	(15,330)	-
Financial expense			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Affiliate	-	(28)
Other income (expenses)			
Banco BTG Pactual S.A.	Affiliate	-	26,536
BTG Pactual Baking Limited	Affiliate	-	(6,483)
BTG Pactual Corretora de Titulos e Valores Mobiliários S.A.	Affiliate	-	(3,554)
BTG Pactual Distribuidora de Titulos e Valores Mobiliários S.A.	Affiliate	-	37,623

	2009		
Transactions with related parties	**Relationship**	**Assets (liabilities)**	**Income (expense)**
Loans and borrowings			
BTG Pactual Participações II S.A.	Affiliate	1,272,384	51,780
Partners	Partners	543,082	10,226
BTG Alpha Participações Ltda.	Subsidiaries	57,528	2,309
BTG Gestora de Recursos Ltda	Affiliate	13,287	278

(*)On May 2010 BTG Investments entered into an agreement with BTG MB for the sale of its subsidiary BTG Alpha. The sale agreement established an equity kicker right to BTG Investments on any future liquidity event on the sale of BTG Alpha's subsidiaries in an amount equivalent to 50% of the net gain computed between the amount of the liquidity event (proceeds from sale or IPO) and the cost value of the correspondent subsidiary at the date of the sale of BTG Alpha to BTG MB. As BTG Investment has no right to determine the sale or the amount of the liquidity event, as this is a decision of BTG MB's management, the value of the equity kicker right is not reasonably measurable and, therefore, no value was determined.

b) Remuneration of key members of management

The remuneration of key members of management for the year ending on December 31,2011 was R$ 10,554 (2010 - R$ 13,083 and 2009 - R$ 1,874).

24. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees allows engaging the whole organization and ensuring decisions are readily implemented.

The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The Bank seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

The majority of fees and commissions are generated on transactions with clients domiciled in Brazil. Interest income and net gain of financial instruments held for trading are predominantly generated in transaction with counterparties domiciled in the United States of America.

a) Market Risk

The various scenarios envisaged for market behavior are properly simulated by means of Value-at-Risk (“VaR”) calculation models and, especially, via stress tests and analysis of scenario, which allows the identification of the main risk components to be controlled. The development of computer systems that support the decision-making process enables the efficient performance of the investment process as a whole – including selection, analysis, monitoring, optimization and simulation.

The Value-at-Risk is calculated using historical simulation methodologies and, where necessary, the Monte Carlo simulation. The stress tests are conducted using three different models: historical stress test, worst case scenario and hypothetical stress test.

Our VaR calculation is based on a Parametric VaR which uses 1 year of historical data. So, the VaR that the Company measures is an estimate, using a confidence level of 95%, of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of a 95% confidence level means that, within a one day horizon, losses exceeding the VaR figure should not occur, on average, not more than five times every hundred days.or set-off with hedges within the term of one day. As aforementioned, we use a Stress Test model as a VaR supplement in the Bank’s risk management daily activities.

In millions of R$	**2011**	**2010**	**2009**
Annual VaR	(32.2)	(22.5)	(25.4)

(In thousands of Reais)

b) Credit Risk

All of the Company's counterparties are subject to careful 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 Company's counterparties credit limits are established by the Credit Committee and are regularly revised.

The total Company's exposure to credit risk is measured and evaluated considering all financial instruments involving any counterparty risk, which considers the total value of the collaterals and derivative transactions. For derivatives, all risk factors are applied to the financial value of the contracts in order to monitor the exposure to the credit risk in derivatives.

The credit risk exposure is calculated based on items of the balance sheet. The following table shows the main exposures to credit risk on the basis of its counterparties' book values and categorized by types of activity of the counterparty:

2011	Governments	Financial Institutions	US Agencies	Corporate	Investment Funds	Others	Total
Cash and cash equivalents	-	31,875	-	-	-	-	31,875
Open market investments	-	2,995,898	-	-	-	-	2,995,898
Derivative financial instruments	-	24,352	-	-	-	-	24,352
Financial assets held for trading	10,952,611	94	7,060,955	293,101	-	412,758	18,719,519
Receivables from brokers	-	7,837,967	-	-	-	-	7,837,967
Loans and receivables	-	-	-	-	376,192	-	376,192
Assets available for sale	-	-	-	480,388	-		480,388
Others	-	-	-	-	-	117,991	117,991
	10,952,611	**10,890,186**	**7,060,955**	**773,489**	**376,192**	**530,749**	**30,584,182**

(In thousands of Reais)

2010	Governments	Financial Institutions	US Agencies	Corporate	Investment Funds	Others	Total
Cash and cash equivalents	-	995,509	-	-	-	-	995,509
Open market investments	-	5,745,441	-	-	-	-	5,745,441
Derivative financial instruments	-	65,900	-	-	-	-	65,900
Financial asset held for trading	10,847,459	5,699,673	-	-	-	542,116	17,089,248
Receivables from brokers	-	6,058,895	-	-	-	-	6,058,895
Loans and receivables	-	-	-	-	347,030	-	347,030
Assets available for sale	-	-	-	182,925	-		182,925
Others	-	-	-	-	-	214,864	214,864
	10,847,459	**18,565,418**	**-**	**182,925**	**347,030**	**756,980**	**30,699,812**

2009	Governments	Financial Institutions	US Agencies	Corporate	Investment Funds	Others	Total
Cash and cash equivalents	-	86,963	-	-	-	-	86,963
Open market investments	-	7,066,074	-	-	-	-	7,066,074
Derivative financial instruments	-	216,357	-	-	-	-	216,357
Financial asset held for trading	14,126,469	-	1,154,766	1,281,544	-	-	16,562,779
Receivables from brokers	-	939,922	-	-	-	-	939,922
Loans and receivables	-	-	-	-	1,886,924	-	1,886,924
Assets available for sale	-	-	-	-	-	152,112	152,112
Others							
	14,126,469	**8,309,316**	**1,154,766**	**1,281,544**	**1,886,924**	**152,112**	**26,911,131**

The table below summarizes the significant geographic concentrations of assets.

	2011	2010	2009
United states of America	94.31%	82.88%	51.99%
South America	5.56%	16.80%	11.60%
Others	0.13%	0.32%	36.41%
Total	100%	100%	100%

Notes to the consolidated financial statements

Year ended on December 31, 2011

(In thousands of Reais)

c) Liquidity risk

The Company's liquidity position, in volatile markets or when the negotiation of a security is impaired in the market, can be reduced. In such cases, the Company may not be able to sell some assets, which could adversely affect its ability to balance your portfolio or to meet recovery requests. Moreover, such circumstances may force the Company to sell assets at a lower prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or to avoid losses related to them.

If the Company incur substantial losses in trading, liquidity needs could increase considerably while the access to liquidity could be impaired. Along with a downturn in the market, the counterparties of the Company could recognize losses, weakening its financial position and increase the risk of the Company's credit. According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the Company's financial liabilities, by maturity, corresponding to the outstanding balances on the balance sheet until the maturity date.

The counterparties of the financial instruments are predominantly domiciled in Brazil and in the United States.

2011	Less than 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	No stated maturity	Total
Assets							
Cash and cash equivalents	31,875	-	-	-	-		31,875
Financial instruments	21,739,769	-	-	-	376,192	480,388	22,596,349
Receivables from brokers	7,837,967	-	-	-	-	-	7,837,967
Other financial assets	-	-	-	-	-	117,952	117,952
Property , plant and equipment	-	-	-	-	-	39	39
Total	29,609,611	-	-	-	376,192	598,379	30,584,182
Liabilities							
Financial instruments	15,205,456	-	107,428	-	-	-	15,312,884
Payables to brokers	12,979,368	-	-	-	-	-	12,979,368
Others		-			-	91,573	91,573
Shareholders' equity	-	-	-	-	-	2,200,357	2,200,357
Total	28,184,824	-	107,428	-	-	2,291,930	30,584,182

(In thousands of Reais)

2010	Less than 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	No stated maturity	Total
Assets							
Cash and cash equivalents	995,509	-	-	-	-	-	995,509
Financial instruments	5,642,177	55,721	3,904,262	2,017,416	11,084,531	726,437	23,430,544
Receivables from brokers	6,058,895	-	-	-	-	-	6,058,895
Other financial assets	-	-	-	-	-	205,120	205,120
Property , plant and equipment	-	-	-	9,744	-	-	9,744
Total	12,696,581	55,721	3,904,262	2,027,160	11,084,531	931,557	30,699,812
Liabilities							
Financial instruments	7,984,726	17,555	19,490	5,630,297	8,735,453	388,237	22,775,758
Payables to brokers	5,949,870	-	-	-	-	-	5,949,870
Others						236,011	236,011
Shareholders' equity	-	-	-	-	-	1,738,173	1,738,173
Total	13,934,596	17,555	19,490	5,630,297	8,735,453	2,362,421	30,699,812

2009	Less than 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	No stated maturity	Total
Assets							
Cash and cash equivalents	86,963	-	-	-	-	-	86,963
Financial instruments	6,962,243	51,641	1,332,130	6,101,647	10,683,769	600,704	25,732,134
Receivables from brokers	939,922	-	-	-	-	-	939,922
Other financial assets	-	-	-	-	-	148,940	148,940
Property , plant and equipment	-	-	-	-	-	3,172	3,172
Assets held for sale	-	-	-	-	-	71,011	71,011
Total	7,989,128	51,641	1,332,130	6,101,647	10,683,769	823,827	26,982,142
Liabilities							
Financial instruments	8,254,398	15,469	292,351	8,440,855	7,420,277	26,733	24,450,083
Payables to brokers	117,767	-	-	-	-	-	117,767
Others	-	-	-	-	-	518,646	518,646
Shareholders' equity	-	-	-	-	-	1,895,646	1,895,646
Total	8,372,165	15,469	292,351	8,440,855	7,420,277	2,441,025	26,982,142

Consolidated financial statements

BTG Pactual Participations Ltd.

December 31, 2012
With Independent Auditors' report

BTG Pactual Participations Ltd.

Consolidated financial statements

As of December 31, 2012

Content

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A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with IFRS and in Reais

Independent auditors' report

To the Board of Directors and Shareholders of
BTG Pactual Participations Ltd

We have audited the accompanying consolidated financial statements of BTG Pactual Participations Ltd, which comprise the consolidated statement of financial position as at December 31, 2012 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows statements for the year then ended, and a summary of significant accounting policies and other explanatory notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG TERCO

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BTG Pactual Participations Ltd as of December 31, 2012 and of its consolidated financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

São Paulo, February 19, 2013

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6

Flávio Serpejante Peppe
Partner

BTG Pactual Participations Ltd.

Consolidated balance sheets

As of December 31
(In thousands of reais)

Assets	**Note**	**2012**	**2011**
Cash on banks	6	78,813	31,875
Open market investments	7	11,163	2,995,898
Derivative financial instruments	8a	510,258	24,352
Financial assets held for trading	8b	22,964,552	18,719,519
Financial assets available for sale	8d	1,044,941	480,388
Loans and receivables	8e	721,819	376,192
Due from brokers	9	1,238,759	7,837,967
Non-current assets held for sale	8d	338,451	-
Investment in associates and joint ventures	10	571,440	-
Other assets		335,992	117,991
Total assets		**27,816,188**	**30,584,182**
Liabilities			
Open market funding	7	21,393,856	9,916,457
Derivative financial instruments	8a	849,480	309,085
Financial liabilities held for trading	8c	855,796	4,979,914
Financial liabilities at amortized cost	8f	286,233	107,428
Due to brokers	9	281,790	12,979,368
Other liabilities		105,468	91,573
Total liabilities		**23,772,623**	**28,383,825**
Shareholders' equity			
Capital stock	11	717,408	1
Other comprehensive income	12	34,458	-
Retained earnings / (losses)		(152,158)	-
Total shareholders' owners equity		**599,708**	**1**
Non-controlling interest		3,443,857	2,200,356
Total shareholders' equity and non-controlling interest		**4,043,565**	**2,200,357**
Total liabilities and shareholders' equity		**27,816,188**	**30,584,182**

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

BTG Pactual Participations Ltd.

Consolidated statements of income

Year ended December 31
(In thousands of reais, except for earnings per share)

	Note	2012	2011
Interest income	14a	48,029	5,352
Interest expenses	14b	(88,922)	(23,364)
Interest income/expenses, net		**(40,893)**	**(18,012)**
Gains (losses) on financial instruments held for trading	15	637,893	273,787
Gains (losses) on financial assets available for sale	8d	546,962	-
Share of profit of associates and joint ventures	10	(5,504)	-
Fees and commissions	16	-	99,856
Other operating income, net		43,511	24,259
Total income		**1,181,969**	**379,890**
Administrative expenses	17	(207,635)	(122,090)
Personnel expenses	18	-	(74,899)
Other expenses		(63,413)	(10,909)
Net income (loss) for the year		**910,921**	**171,992**
Net income attributed to:			
Controlling shareholders		58,750	-
Non-controlling shareholders		852,171	171,992
Earnings per share (basic and diluted - R$)	13	0.2570	-

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

BTG Pactual Participations Ltd.

Consolidated statements of comprehensive income
Year ended December 31
(In thousands of reais)

	2012	2011
Net income (loss) for the year	910,921	171,992
Other comprehensive income (expenses)		
Financial assets available for sale	(14,198)	-
Currency translation adjustments	322,978	291,559
Total comprehensive income	1,219,701	463,551
Net income attributed to:		
Controlling shareholders	89,317	-
Non-controlling shareholders	1,130,384	463,551

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

BTG Pactual Participations Ltd.

Statement of changes in shareholders' equity

Year ended December 31

(In thousands of reais)

	Note	Capital stock	Other comprehensive income: Cumulative translation adjustment	Other comprehensive income: Fair value adjustment	Retained earnings (Losses)	Total shareholders' equity	Non-controlling interest	Total shareholders equity and non-controlling interest
Balances as at december 31, 2010		**1**	**-**	**-**	**-**	**1**	**1,738,172**	**1,738,173**
Net income of the year		-	-	-	-	-	171,992	171,992
Dividends paid	11	-	-	-	-	-	(1,367)	(1,367)
Currency translation adjustments	11	-	-	-	-	-	291,559	291,559
Balances as at december 31, 2011		**1**	**-**	**-**	**-**	**1**	**2,200,356**	**2,200,357**
Capital increase	11	530,900	-	-	-	530,900	101,316	632,216
Equity conversion	11	195,216	-	-	-	195,216	(195,216)	-
Costs related to initial public offering	11	(8,709)	-	-	-	(8,709)	-	(8,709)
Transactions with shareholders	11	-	-	-	(210,908)	(210,908)	210,908	-
Net income of the year		-	-	-	58,750	58,750	852,171	910,921
Financial assets available for sale		-	-	(2,088)	-	(2,088)	(12,110)	(14,198)
Currency translation adjustments	11	-	36,546	-	-	36,546	286,432	322,978
Balance as at December 31, 2012		**717,408**	**36,546**	**(2,088)**	**(152,158)**	**599,708**	**3,443,857**	**4,043,565**

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

BTG Pactual Participations Ltd.

Consolidated statements of cash flows
Year ended December 31
(In thousands of reais)

	2012	2011
Operating activities		
Net income for the year	910,921	171,992
Adjusted net income		
Share of profit of associates and jointly-controlled entities	5,504	-
Depreciation and amortization	23	1,324
Adjusted net income for the year	916,448	173,316
(Increase) decrease in operating assets, net		
Due from brokers	6,655,615	(1,779,072)
Derivative financial instruments	(485,906)	41,548
Financial assets held for trading	(3,983,006)	(1,630,271)
Financial assets available for sale	(550,355)	(297,463)
Other assets	(218,001)	87,073
Increase (decrease) in operating liabilities, net		
Due to brokers	(12,691,434)	7,029,498
Open market funding	11,477,398	1,725,699
Derivative financial instruments	540,395	253,269
Financial liabilities held for trading	(4,124,118)	(8,983,644)
Other liabilities	13,895	(169,970)
Cash (used) by operating activities	(2,449,070)	(3,550,017)
Investment activities		
Sale of property plant and equipment	-	8,393
Acquisition of non-recurrent assets held for sale	(338,451)	-
Acquisition of associates and joint ventures	(565,936)	-
Cash (used) provided in investing activities	(904,387)	8,393
Financing activities		
Capital increase with IPO	623,507	-
Loans and receivables	(345,627)	(29,162)
Financial liabilities at amortized cost	178,805	(458,198)
Paid dividends	-	(1,367)
Cash provided (used) in financing activities	456,685	(488,727)
(Decrease) in cash and cash equivalents	**(2,896,772)**	**(4,030,351)**
Balance of cash and cash equivalents		
At the beginning of the year	3,027,773	6,740,950
Foreign exchange gains on cash and cash equivalents	41,025	317,174
At the end of the year	89,976	3,027,773
(Decrease) in cash and cash equivalents	**(2,896,772)**	**(4,030,351)**

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

1. Operations

BTG Pactual Participations Ltd. ("BTGP" or "Company") was incorporated as a limited liability exempt Company under the Company law of the Bermuda on March 26, 2010. On December 29, 2010, the Bermuda monetary authority approved the incorporation of the Company.

The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2016, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

The Company is the sole owner of BTG Bermuda LP Holdco Ltd. ("BTG Holdco") which, on December 29, 2010, received a Class C common share from BTG Pactual Management Ltd. and thus became general partner of BTG Investments LP ("BTGI"). As a consequence of this transaction, the Company obtained the right to govern the financial and operating policies of BTGI.

BTGI was formed in 2008 and makes proprietary capital investments in a wide range of financial instruments, including merchant banking investments in Brazil, and a variety of financial investments in global markets.

BTGI's assets are managed by the Asset Management area of Banco BTG Pactual S.A., which receives fees at market rates for its services.

On April 30, 2012, BTGP and Banco BTG Pactual S.A. completed its Initial Public Offering (IPO), by issuing 82,800,000 units at a price of R$ 31.25 (thirty one reais and twenty five cents per unit). In that operation, BTGP issued 248,400,000 shares, representing a capital increase by R$ 517,500 generating cash net of costs of commissions, fees and taxes of R$ 508,791.

The Company was formed with the purpose of being a Holding Company of BTGI. Through participation in the Company, investors who joined the IPO have indirect interest in BTGI.

The consolidate financial statements were approved by Management on February 19, 2013

2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by International Accounting Standards Board (IASB). Assets and liabilities are stated mainly at fair value as disclosed in the accounting policies herein.

a. Revised IFRS pronouncements

The accounting polices adopted are consistent with those of the previous year, except for the following amendment to IFRS effective as of January 1, 2012:

• IFRS 7 Financial Instruments: Disclosures

This amendment requires additional disclosures about financial assets that were transferred but not derecognized in order to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement with the derecognized financial assets to enable the user to evaluate the nature of the entity's continuous involvement with the derecognized assets disposed of, as well as the associated risks. The amendment in question affects only disclosures. The company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

We list below the standards issued that not yet effective:

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on the replacing IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be concluded at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but will not bring potential impacts on the classification and measurement of financial liabilities. The Company will quantify the effect of this amendment in conjunction with other phases.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Company's management assessed the revision of the standard and found no impact on the financial statements.

The IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require management to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Arrangements

The IFRS 11 provides a different approach for Joint Arrangements focused on the righs and obligations rather than on the legal form, and divides into Joint Operations and Joint Ventures. For Joint Ventures, proportionate consolidation is not allowed anymore. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IFRS 12 – Disclosures of Interests in Other Entities

The IFRS12 requires new disclosures about all types of investments in other entities. This amendment shall become effective for annual periods beginning on or after January 1, 2013. The amendment in question affects only disclosures.

• IFRS 13 - Fair Value Measurement

The objective of IFRS 13 is to align IFRS to U.S. GAAP, to reduce complexity of the disclosure and focus on the measurement of fair value. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 28 – Investments in associates and joint ventures (revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 – Investments in Associates has been renamed IAS 28 – Investments in associates and joint ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment shall become effective for annual periods beginning on or after January 1, 2013. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 32 Financial instruments (revised in 2012)

Under IAS 32, the rights, options and guarantees issued to acquire a fixed number of the entity's own equity instruments for a fixed price, in any currency, are classified as equity instruments. The change is applicable for years beginning January 1, 2014. Management assessed the standard and concluded that it does not expect any material impacts to the financial statements.

• IAS 24 – Related- Party transactions (revised in 2012)

This amendment simplifies the disclosure requirements for subsidiaries or jointly-owned subsidiaries or companies significantly influenced by governments. Additionally, this amendment clarifies the definitions of related parties. Management assessed the revised standard and concluded that it does not affect the financial statements.

We list below annual improvements in standards which will have an inpact on the Bank:

• IAS 1 – Presentation of Financial Statements

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

• IAS 32 – Financial Instruments, presentation

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 – Income taxes.

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. The estimates are based on historical experience and various other factors that the management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. dollar, since the majority of the Company's business transactions are in the mentioned currency.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. dollars are converted into U.S. dollar exchange rates closing at the end of each period. The non-monetary assets and liabilities are translated using the historical date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in "translation adjustments" in the statement of comprehensive income.

Presentation currency

These consolidated financial statements are presented using the Real, the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Federal Securities Commission (CVM), the Brazilian regulatory body.

The conversion of U.S. dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – The effects of changes in exchange rates, and are summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average.

- For assets and liabilities for each balance which IAS 21 does not estabilish a methodology for translation, the Company elected to translate balances using the closing rate of each balance sheet, and other variations in equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows.

All resulting translation differences are recognized directly in “translation adjustments” in the statement of comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Fees and commissions

Revenues from fees and commissions are recognized in the period in which such revenues are unconditionally earned and amounts are fixed or determinable.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

The interest on financial instruments held for trading are recorded in “Gain (losses) on financial instruments held for trading”.

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded “Gain (losses) on financial instruments held for trading”, and dividends received on financial assets as available for sale are classified as “Gain (losses) on financial assets available for sale”.

e. Financial instruments

Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value, Interest revenue, expenses and dividends are recorded in "Gains (losses) on financial instruments held for trading".

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modify the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in "Net gain on financial assets or liabilities designated at fair value through profit and loss".

Financial assets available for sale

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Gain (losses) on financial assets available for sale".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

"Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Gain (losses) on financial instruments held for trading". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognised.

Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or

- The Company transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:

- There is substantial transfer of all risks and benefits of the asset; or

- There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the Company have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaires.

Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "Open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as "Held for trading" in the consolidated balance sheet .

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded in the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is recorded as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is recorded as a short sale, included in "Financial liabilities held for trading" in result and measured at the fair value with any gain or loss included in "Gain (losses) on financial instruments held for trading".

Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

Financial instruments – Offsetting

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

Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

In case of any impairment losses evidence to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income.

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Company individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Company and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

f. Receivables from / payable to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

g. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and that the administration has committed to sell such assets.

h. Other assets / liabilities

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

i. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal and tax are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

j. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the extraordinary/ordinary general meeting.

k. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

l. Seasonality of transactions

Considering the activities that the Company and its subsidiaries are subjected, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Company didn't provide disclosures about seasonality on these notes to the consolidated financial statements for the year ended on December 31, 2012.

4. Basis of consolidation

a. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including certain special purpose entities) that are controlled by the Company. Control exists where the

(In thousands of reais)

Company has the power to govern the financial and operating policies of the entity; generally conferred by holding a majority of voting rights.

The consolidated financial statements comprise the financial statements of the Company and the following controlled entities and funds:

	Country	Equity interest - % 2012	2011
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
BTG Investments LP	Bermuda	14.80	-

Below is the interest that BTGI holds on its subsidiaries:

	Country	Equity interest - % 2012	2011
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
BTG Loanco LLP	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTGP Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Pactual Absolute Return Master Fund LP	Cayman	100.00	100.00
BTG Pactual Stigma Participações S.A. (i)	Brazil	-	100.00
BTG Pactual Delta Participações S.A. (i)	Brazil	-	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	Gibraltar	100.00	100.00
Turquesa Fundo de Investimento em Participação (ii)	Brazil	100.00	-
BTG Pactual Mining S.A.(ii)	Brazil	100.00	-
Hárpia Omega Participações S.A.	Brazil	100.00	-
Aigues de Catalunya Ltd (iii)	UK	100.00	-
BTG Pactual Spanish Trading Holdings Ltd (iii)	UK	100.00	-

(i) Note 8(d)
(ii) Turquesa Fundo de Investimento em Participação holds equity interest in BTG Pactual Mining S.A. which holds equity interest in B&A Mineração (Note 10).
(iii) Note 10

As described in Note 1, as from December 29, 2010, the Company became the general partner of BTGI with powers to manage BTGI's financial and operating policies through the interest held in that Company. Due to the completion of the IPO, the Company now holds 14.80% of economic interest in BTGI. As a result, the economic interests representing 85.20% are held by other shareholders and presented as non-controlling Interests in consolidated financial statements of the Company.

In July 2011, the companies (i) BTG Pactual Europe LLP, (ii) US Capital LLC, (iii) BTG GAM (UK) Limited, (iv) BTG Global Asset Management Ltd., (vi) BTG Pactual Asia Limited and (vii) BTG Pactual Asset Management US LLC were transferred to Banco BTG Pactual S.A. for their carrying amounts, not generating any gains or losses on the transaction. Consequently, the results of these transactions were fully consolidated in the Consolidated Statement of Income for the period ended December 31, 2011.

The financial information of the subsidiaries are prepared using accounting policies consistent to those adopted in the preparation of the parent Company's financial statements. Intra-group balances were eliminated during consolidation.

5. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees allows engaging the whole organization and ensuring decisions are readily implemented.

The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

a. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Company's positions at market risk. The Company 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, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 Company uses a stress test models as a complement to VaR method for its daily risk activities.

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

In millions of R$	**2012**	**2011**	**2010**
Daily average VaR	47.6	25.1	16.4

b. Credit risk

All of the Company's 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 Company's counterparties credit limits are established by the Credit Committee and are regularly reviewed.

The total Company's exposure to credit risk is measured and evaluated considering all financial instruments involving any counterparty risk, which considers the total value of the collaterals and derivative transactions. For derivatives, all risk factors are applied to the financial value of the contracts in order to monitor the exposure to the credit risk in derivatives.

The credit risk exposure is calculated based on items of the balance sheet. The following table shows the maximum financial asset exposure by geographic region is as follows:

	2012		
	Brazil	**Abroad (i)**	**Total**
Assets			
Cash on banks	-	78,813	78,813
Open market investments	-	11,163	11,163
Derivative financial instruments	243,592	266,666	510,258
Financial assets held for trading	1,197,548	21,767,004	22,964,552
Financial assets available for sale	1,044,941	-	1,044,941
Loans and receivables	-	721,819	721,819
Due from brokers	-	1,238,759	1,238,759
Non-current assets held for sale	338,451	-	338,451
Investments in joint ventures	229,699	341,741	571,440
Other assets	-	335,992	335,992
Total assets	3,054,231	24,761,957	27,816,188

	2011		
	Brazil	**Abroad (i)**	**Total**
Assets			
Cash on banks	-	31,875	31,875
Open market investments	-	2,995,898	2,995,898
Derivative financial instruments	24,352	-	24,352
Financial assets held for trading	249,233	18,470,286	18,719,519
Financial assets available for sale	480,388	-	480,388
Loans and receivables	-	376,192	376,192
Due from brokers	-	7,837,967	7,837,967
Other assets	-	117,991	117,991
Total assets	753,973	29,830,209	30,584,182

(i) Refers primarily to counterparties domiciled in the United States of America

(In thousands of reais)

The table below states the main exposures to credit risk based on the carrying amounts, classified by economic activity of the counterparties:

	2012						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash on banks	-	78,813	-	-	-	-	78,813
Open market investments	-	11,163	-	-	-	-	11,163
Derivative financial instruments	-	510,258	-	-	-	-	510,258
Financial assets held for trading	20,165,176	600,763	1,832,296	366,317	-	-	22,964,552
Financial assets available for sale	-	-	-	1,044,941	-	-	1,044,941
Loans and receivables	-	-	-	168,315	550,707	2,797	721,819
Due from brokers	-	1,238,759	-	-	-	-	1,238,759
Non-current assets held for sale	-	-	-	338,451	-	-	338,451
Investment in associates and joint ventures	-	-	-	571,440	-	-	571,440
Other assets	-	-	-	-	-	335,992	335,992
Total assets	20,165,176	2,439,756	1,832,296	2,489,464	550,707	338,789	27,816,188

	2011						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash on banks	-	31,875	-	-	-	-	31,875
Open market investments	-	2,995,898	-	-	-	-	2,995,898
Derivative financial instruments	-	24,352	-	-	-	-	24,352
Financial assets held for trading	10,952,611	94	7,060,955	293,101	-	412,758	18,719,519
Financial assets available for sale	-	-	-	480,388	-	-	480,388
Loans and receivables	-	-	-	-	376,192	-	376,192
Due from brokers	-	7,837,967	-	-	-	-	7,837,967
Others	-	-	-	-	-	117,991	117,991
Total assets	10,952,611	10,890,186	7,060,955	773,489	376,192	530,749	30,584,182

(i) See note 8(b)

Financial assets overdue without loss event or individually overdue with loss event are partially or fully covered by guarantees.

(In thousands of reais)

c. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establish substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the years ended on December 31:

	2012				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Cash on banks	78,813	-	-	-	78,813
Open market investments	11,163	-	-	-	11,163
Derivative financial instruments	461,689	1,530	36,631	10,408	510,258
Financial assets held for trading	22,964,552	-	-	-	22,964,552
Financial assets available for sale (i)	-	-	-	1,044,941	1,044,941
Loans and receivables	-	-	-	721,819	721,819
Due from brokers	1,238,759	-	-	-	1,238,759
Non-current assets held for sale	-	338,451	-	-	338,451
Investments in joint ventures	-	-	-	571,440	571,440
Other assets	335,992	-	-	-	335,992
Total assets	25,090,968	339,981	36,631	2,348,608	27,816,188

	2011				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Cash on banks	31,875	-	-	-	31,875
Open market investments	2,995,898	-	-	-	2,995,898
Derivative financial instruments	24,352	-	-	-	24,352
Financial assets held for trading	18,719,519	-	-	-	18,719,519
Financial assets available for sale (i)	-	-	-	480,388	480,388
Loans and receivables	-	-	-	376,192	376,192
Due from brokers	7,837,967	-	-	-	7,837,967
Others	117,991	-	-	-	117,991
Total assets	29,727,602	-	-	856,580	30,584,182

(i) The financial assets available for sale correspond basically to our investments in equity securities and quotes of the private equity funds and its invested companies (Note 8(d)) based on our current expectation of the exiting strategies and liquidation of the fund.

d. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Company and its subsidiaries, for the years ended on December 31:

(In thousands of reais)

	2012				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	21,393,856	-	-	-	21,393,856
Derivative financial instruments	408,540	44,153	336,802	59,985	849,480
Financial liabilities held for trading	855,796	-	-	-	855,796
Financial liabilities at amortized cost	-	-	-	286,233	286,233
Due to brokers	281,790	-	-	-	281,790
Other liabilities	105,468	-	-	-	105,468
Equity attributable to controlling shareholders	-	-	-	599,708	599,708
Equity attributable to non-controlling interest	-	-	-	3,443,857	3,443,857
Total liabilities	23,045,450	44,153	336,802	4,389,783	27,816,188

	2011				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	9,916,457	-	-	-	9,916,457
Derivative financial instruments	309,085	-	-	-	309,085
Financial liabilities held for trading	4,979,914	-	-	-	4,979,914
Financial liabilities at amortized cost	-	107,428	-	-	107,428
Due to brokers	12,979,368	-	-	-	12,979,368
Other liabilities	91,573	-	-	-	91,573
Equity attributable to controlling shareholders	-	-	-	1	1
Equity attributable to non-controlling interest	-	-	-	2,200,356	2,200,356
Total liabilities	28,276,397	107,428	-	2,200,357	30,584,182

The table below presents the undiscounted cash flows for “Loans and receivable” and “Financial liabilities at amortized cost”. We are not presenting undiscounted cash flows for derivative financial instruments and financial liabilities at fair value through profit and loss. Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

	2012				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Loans and receivables	-	-	-	1,899,405	1,899,405
Liabilities					
Financial liabilities at amortized cost	235,423	-	52,408	-	287,831

	2011				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Loans and receivables	-	-	-	1,136,657	1,136,657
Liabilities					
Financial liabilities at amortized cost	-	33,287	-	79,489	112,776

6. Cash on banks

Cash on banks comprise exclusively highly-liquid bank deposits, totaling R$ 78,813 and R$ 31,875, as at December 31, 2012 and 2011.

(In thousands of reais)

7. Open market investment and funding

	2012	2011
Open market investments	16,229,594	9,109,262
Offset (netting)	(16,218,431)	(6,113,364)
Net	11,163	2,995,898
Open market funding	37,612,287	16,029,821
Offset (netting)	(16,218,431)	(6,113,364)
Net	21,393,856	9,916,457

As at December 31, 2012 the collateral received in repurchase agreements amounts to R$ 16,204,189 (2011 – R$ 4,419,839), whereas the collateral granted amounts to R$ 37,459,076 (2011 - R$ 5,451,157).

8. Classification and measurement of financial instruments

a. Derivative financial instruments

The Company does not have derivative financial instruments designated as hedge accounting. This item is broken down as follows:

	2012	2011
	Market Value	Market Value
Futures		
Long position	5,210	3,611
Short position	37,991	16,491
Swaps		
Long position	14,502	8,027
Short position	74,822	88,261
Credit derivatives		
Long position	347	-
Short position	276,891	16,290
Currency forward transactions - NDF		
Long position	29,998	667
Short position	-	89,116
Forward transactions - DF		
Long position	365,047	-
Short position	356,058	-
Options market		
Long position	95,154	12,047
Short position	103,718	98,927
	510,258	**24,352**
	849,480	**309,085**

BTG Pactual Participations Ltd.

Notes to the consolidated financial statements
Year ended on december 31
(In thousands of reais)

The nominal amounts of transactions with derivatives are as follows. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	2012	2011
Futures market		
Long position	115,262,134	716,314
Currency	448,753	126,631
Interest rate	112,748,161	589,598
Commodities	2,065,220	85
Short position	11,292,159	4,425,582
Currency	283,025	-
Interest rate	10,861,201	4,384,747
Indexes	147,933	40,835
Swap		
Long position	23,274,291	17,641,703
Interest rate	23,208,749	17,632,552
Currency	52,037	-
Government bonds	-	9,151
Equities	13,505	-
Short position	23,274,291	17,641,703
Interest rate	23,214,193	-
Currency	52,037	-
Indexes	-	17,632,552
Equities	8,061	9,151
Credit derivatives		
Long position	204,350	93,755
Sovereign	204,350	93,755
Short position	876,222	-
Coporate	518,609	-
Sovereign	357,613	93,755
Currency forward transactions - NDF		
Long position	1,513,793	1,148,388
Currency	1,513,793	1,038,677
Indexes	-	109,711
Short position	1,513,793	1,148,388
Currency	1,513,793	109,711
Indexes	-	1,038,677
Forward transactions - DF		
Long position	364,039	-
Currency	213,799	-
Equities	150,240	-
Short position	364,039	-
Currency	364,039	-
Options market		
Purchase of call options	5,222,909	33,257,236
Index	5,174,806	-
Currency	48,103	104,961
Interest rate	-	33,152,275
Purchase of put options	59,428,755	49,709,685
Equities	-	439,846
Index	59,390,370	125,153
Currency	38,385	703
Interest rate	-	47,632,738
Other	-	1,511,245
Sale of call options	55,803,994	47,511,344
Index	54,479,393	423,442
Currency	11,636	177,680
Interest rate	1,312,965	46,910,222
Sale of put options	126,026,359	55,545,848
Equities	29,261,379	439,846
Index	96,762,485	2,780,062
Currency	2,495	469
Interest rate	-	52,325,471

(In thousands of reais)

b. Financial assets held for trading

	2012		2011
	Amortized cost	Market	Market
Equities	385,708	279,709	293,101
Corporate bonds issued abroad	83,989	86,608	95
US Agencies	1,812,180	1,832,296	7,060,955
Brazilian government bonds	544,236	557,422	249,233
Foreign government bonds			
United States	19,725,159	19,597,960	10,703,378
Others	5,695	9,794	-
Investment fund quotas	524,929	600,763	412,757
	23,081,896	22,964,552	18,719,519

c. Financial liabilities held for trading

This item comprises short-selling transactions primarily US treasures, totaling R$ 855,796 and R$ 4,979,914, as at December 31, 2012 and 2011.

d. Financial assets available for sale

	2012	2011
STR Projetos e Participações em Recursos Naturais S.A. (STR)	-	170,466
BTG Pactual Principal Investments FIP (FIP Principal)	627,236	306,091
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	74,462	-
União de Lojas Leader S.A. (Leader)	340,291	-
Other investments	2,952	3,831
	1,044,941	480,388

STR

Our subsidiary BTGP Stigma Participações S.A. held direct interest in BTG Pactual Delta Participações S.A., which represented indirect interest in STR Projetos e Participações em Recursos Naturais. Our interest on BTGP Stigma Participações S.A. was sold on July 4, 2012, for total amount of R$ 699 million, in a transaction executed in the Brazilian stock exchange.

As part of the sale process, BTGI has agreed to guarantee certain obligations of the acquirer and therefore continues partially exposed to the credit and equity performance of the acquirer and its assets via a credit default swap (CDS). BTGI's management has evaluated the legal and economic capacity to execute guarantees, the timing and agreements necessary to accommodate other economic interests, as well as the lack of historic information relating to executions of similar guarantees, and has concluded to record a liability fair value for the CDS in the transaction totaling R$ 254 million. After such impact, the transaction has generated a net gain of R$ 275 million.

(In thousands of reais)

FIP Principal

The table below shows the investments comprising the FIP Principal and the Company's direct and indirect interest:

Investment	Description / Segment activity	Equity interest in 2012(%)	2012	2011
NTNB (i)	National Treasury Notes - Series B		1,852	161,866
Debentures				
A!Bodytech (ii)	Fitness segment	30.00%	137,866	-
Equity interest				
Brasbunker Participações S.A. (ii)	Maritime transport and logistics services and environmental protection for the oil and gas sector	39.84%	237,789	237,789
Brazil Pharma S.A. (i)	Pharmaceutical retail company	11.79%	337,383	150,585
Leader Participações S.A. (ii)	Retail company	22.93%	325,215	-
CCRR Participações S.A. (ii)	Adhesives, labels and special paper company	56.82%	142,320	88,120
Estre Participações S.A. (ii)	Waste collection, treatment and disposal	27.41%	534,750	303,300
UOL Universo on Line S.A. (ii)	Internet and server provider	6.40%	144,804	-
Other	Other assets or liabilities, net	-	3,129	158
			1,865,108	941,818
Direct and indirect interest in FIP Principal			33.63%	32.50%
Total estimated interest in FIP Principal			627,236	306,091

(i) Measured at fair value
(ii) Measured at cost

The joint venture BTGI investments in FIP are made via three different feeder entities, over which BTGI does not have significant influence and therefore it is classified as available for sale financial instrument. Management of the FIP is performed by BTG Pactual Gestora de Recursos S.A., a subsidiary of Banco BTG Pactual S.A.

Company's management concluded that, except for the investment in Brazil Pharma S.A. which is a public traded company, it is not practicable to determine with reasonable certainty the fair value of the remaining investments at the balance sheets dates. Consequently, these investments are recorded at cost (fair value at acquisition), and restated at fair value only upon occurrence of a liquidity event or when there is a high probability that the amount can be reliably measured.

Infrastructure fund

Investment	Description / Segment activity	Equity interest in 2012(%)	2012	2011
Latin America Power Holding B.V.	Energy sector	14.89%	35,984	-
SETE Participações S.A.	Oil and gas	0.74%	29,710	-
Contrail S.A.	Logistics services	19.45%	7,209	-
Other	-		1,558	-
Total of investments in Infrastructure fund			74,462	-

(In thousands of reais)

Leader

On June 20, 2012, BTGI together with FIP, through the holding company MFRSPE (a subsidiary of BTGI), concluded the acquisition of 40% interest of Leader Participações S.A. ("Leader") for a total of R$ 665.1 million being R$ 558.4 million paid directly to its shareholders and R$ 106.7 million as capital increase in Leader.

At the end of September 2012, MFRSPE exercised the call option which represented equity interest of 30% in Leader totalying R$ 335 million and paid in installments during the fourth quarter of 2012. Additionally, R$ 80 million was retained for possible indemnification for the sellers. The participation acquired with the option exercised by the MFRSPE in Leader was transferred to Harpia Omega Participações S.A. ("Harpia"), a subsidiary of BTGI.

On November 5th, 2012 via corporate reorganization, MFRSPE was merged by Leader Participações S.A., which was merged on December 17, 2012 by União de Lojas Leader S.A. ("União de Lojas").

Therefore, after the reorganization process, BTGI holds interest on União de Lojas, classified as financial asset available for sale as follows: (i) of 22.93% via FIP and (ii) 23.97% indirectly through another subsidiary.

In addition, through its subsidiary Harpia, BTGI holds interest on União de Lojas, classified as non-current assets held for sale of 23.10%, held for the purpose of sale which is expected to occur in fiscal year of 2013.

União de Lojas holds interest in Leader S.A. Administradora de Cartões de Crédito ("LeaderCard") of 50% and 100% of Leader.com.br S.A. ("Leader.com.br"), based in Rio de Janeiro.

e. Loans and receivables

	2012	2011
Partners (i)	550,707	374,914
BTG Pactual Holding S.A.	1,385	1,278
ATLL Concessionaria de La Generalitat de Catalunya S.A (i)	168,315	-
Other	1,412	-
	721,819	376,192

(i) These loans are indexed to CDI or Libor and have maturities generally above one year.

f. Financial liabilities at amortized cost

As at December 31, 2012 and 2011, liabilities comprised mainly of loans with financial institutions abroad indexed to Libor rate variation, maturing up to June 2014.

g. Reclassifications

There were no reclassifications among categories in the year ended December 31, 2012 and 2011.

h. Fair value of financial instruments

BTG Pactual Participations Ltd.

Notes to the consolidated financial statements

Year ended on december 31
(In thousands of reais)

The fair values of financial instruments are being measured, using the same methods adopted by the Company in the last annual financial statements. The summary of assets and liabilities classified according to asset pricing is as follows:

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments	246,867	263,391	-	510,258
Financial assets held for trading	22,353,995	610,557	-	22,964,552
Financial assets available for sale	-	-	1,044,941	1,044,941
	22,600,862	873,948	1,044,941	24,519,751
Liabilities				
Derivative financial instruments	274,187	298,607	276,686	849,480
Financial liabilities held for trading	855,796	-	-	855,796
	1,129,983	298,607	276,686	1,705,276

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Derivative financial instruments	7,467	16,885	-	24,352
Financial assets held for trading	17,100,704	1,618,721	94	18,719,519
Financial assets available for sale	-	-	480,388	480,388
	17,108,171	1,635,606	480,482	19,224,259
Liabilities				
Derivative financial instruments	17,414	210,350	81,321	309,085
Financial liabilities held for trading	4,979,914	-	-	4,979,914
	4,997,328	210,350	81,321	5,288,999

No significant reclassification between levels 1 and 2 was carried during the years ended December 31. Changes in level 3 for the year are as follows:

	Derivative financial instruments (liability)	**Financial assets held for trading**	**Financial assets available for sale**	**Total**
Balances at December 31, 2011	(81,321)	94	480,388	399,161
Acquisitions	(269,679)	-	710,264	440,585
Sales / maturity	-	(112)	(699,728)	(699,840)
Gains (losses) recognized in:				
Income Statement	74,314	18	568,215	642,547
Other Comprehensive Income	-	-	(14,198)	(14,198)
Balances at December 31, 2012	(276,686)	-	1,044,941	768,255

(In thousands of reais)

9. Amounts due from/ to brokers

Assets and liabilities included in this item are shown in the table below:

	2012	2011
Due from brokers		
Custodian bank		
Banco BTG Pactual S.A.	38,644	30,362
Main brokers		
UBS AG	1,141,235	5,303,544
Citigroup	56,383	8,149,590
Bank of America	51	23,319
Bank Santander	1,838	-
Others	608	275
	1,238,759	13,507,090
Offset (netting) (i)	-	(5,669,123)
	1,238,759	7,837,967

	2012	2011
Due to brokers		
Custodian bank		
Banco BTG Pactual S.A.	35,017	113,434
Main brokers		
UBS AG	246,769	7,382,222
Citigroup	-	11,129,392
Barclays Bank	-	23,321
Others	4	122
	281,790	18,648,491
Offset (netting) (i)	-	(5,669,123)
	281,790	12,979,368

(i) As of December 31, 2012, BTGP did not have balances due to and from brokers which their presentation could be offset.

10. Investment in associates and joint ventures

	Shareholders' equity	Interest - %	Investment
	2012	2012	2012
B&A Mineração (i)	267,092	86.00%	229,699
Túnel de Barcelona i Cadí (ii)	283,100	65.00%	184,015
ATLL Concessionaria de La Generalitat de Catalunya S.A (ii)	404,429	39.00%	157,726
			571,440

(i) During the year ended December 31, 2012, loss of R$ 5,504 (2011 – nil) was recognized from this investment.
(ii) Due to the recent start of these companies' activities, no equity pickup has been recognized for December 31, 2012.

On July 12, 2012 BTGI entered into a partnership agreement with AGN Agroindustrial, Projetos e Participações Ltda., to jointly explore by means of a new company referred to as B&A Mineração, investment opportunities in the mining sector, focused on Brazil, Latin America and Africa. This partnership involves an investment commitment from BTGI equivalent in Reais, up to US$ 520 million, to finance its business plan, development and organic expansion and acquisitions. BTGI has concluded that B&A Mineração is a jointly-controlled entity because it has veto rights to certain significant matters and is able to indicate half of the board of the directors. This operation was concluded on September 11, 2012, and its investment amounts to R$ 229,699 as of December 31, 2012.

On 27 November 2012, BTGI, Acciona S.A. and a consortium of investors were awarded the management concession for Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona, for a period of 50 years. BTGI and Acciona will both have a 39% equity interest in a newly established company ATLL Concessionaria de La Generalitat de Catalunya S.A. ("ATLL"), and both have veto rights to certain significant matters. The total concession fees are EUR 1,047 million, of which EUR 310 million was paid on the signing of the contract and the remainder will be paid in 50 annual installments. Furthermore, Acciona has been engaged as an operator and manager of the concession during the concession period of 50 years. As of December 31, 2012 BTGI had an investment equivalent to R$ 157.7 million, loans equivalent to R$ 168.3 million (Note 8(e)) and has contracted a counter-guarantee of EUR 11.7 million as part of the agreement recorded in other assets.

On 28 December 2012, BTGI and Abertis Infraestructuras S.A. reached an agreement with the Catalonian Government for the operation and maintenance of Vallvidrera and Cadi tunnels. The objective of the agreement is to assume a EUR 430 million concession fee through a newly established company Tunels de Barcelona i Cadi ("Tunels"), in which BTGI, via its subsidiary BTG Pactual Spanish Trading Holdings Ltd, and Abertis have equity interests of 65% and 35%, respectively. Tunels made an initial payment of EUR 310 million to the Catalonian Government, 30% funded by shareholders' capital and 70% by loans. The remaining concession fee amount will be paid at the end of the concession agreement in 2037. As of December 31, 2012 BTGI had an investment equivalent to R$ 184 million which corresponds substantially to its fraction on the initial payment to the government made by Tunels. Furthermore, Abertis has been engaged as operator of the concession during the concession period of 25 years. BTGI and Albertis have agreed to jointly manage the concession through joint decisions on the significant matters.

As at December 31, 2011, the Company had no investments in associates and joint ventures.

11. Shareholders' equity

a. Capital

On April 19, 2012, 24,300 Class D shares of BTGP were converted into 24,300,000 Class A Shares and 48,600,000 Class B Shares of BTGP as part of a withdrawal agreement, with subsequent capital increase of R$ 87,805, without issuance of shares.

In the board of directors meeting held on April 24, 2012, the capital increase of R$ 517,500 was approved through the issuance of 82,800,000 Class A Shares and 165,600,000 Class B Shares.

Due to the IPO, BTGP contributed the amount received in the offering process, on its indirect subsidiary capital, BTGI. This transaction resulted in indirect interest of 12.13% in BTGI.

On October 25, 2012 was approved a capital increase of R$ 63,887 due to the conversion of shares 14,864,743 Class D shares into 14,864,743 Class A and 29,729,486 Class B shares.

On November 13, 2012 occurred an increase of 19,865,336 Class D shares with R$ 101,316 capital increase, as a result of the increase in BTGI's capital by the former owners of Celfin Capital S.A., a financial institution acquired by Banco BTG Pactual S.A.

(In thousands of reais)

On November 19, 2012, an amount of 9,948,185 Class D shares were converted into 9,948,185 Class A and 19,896,370 Class B shares with a capital increase of R$ 43,524, as a result of a withdrawal agreement. This conversion permitted shareholders to swap their interest in BTGI by equivalent interest in BTGP.

On December 20, 2012 was approved a capital increase of R$ 13,400 due to emission of 6,906,204 shares, which 2,302,068 Class A and 4,604,136 Class B, as a result of the capital contribution in the BTGP by former owners of Bolsa y Renta, a financial institution acquired by Banco BTG Pactual S.A.

Due to the conversions, the interest of the Company in BTGI is 14.8% on December 31, 2012. The amount of R$ 210,908, accounted in the parent company as transactions with shareholders refers to goodwill of the difference from the amount contributed by the parent company to controlled BTGI and the equity interest received.

	2012				
	Authorized	**Issued**	**Par value (R$)**	**Voting rights**	**Vote per share**
Class A	5,000,000,000	134,214,996	-	Yes	1
Class B	10,000,000,000	268,429,992	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	119,975,206	0,0000000001	Yes	1
Total	16,000,000,001	522,620,195			

	2011				
	Authorized	**Issued**	**Par value (R$)**	**Voting rights**	**Vote per share**
Class A	5,000,000,000	-	-	Yes	1
Class B	10,000,000,000	-	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	149,222,798	0,0000000001	Yes	1
Total	16,000,000,001	149,222,799			

(*) Class C shareholders have voting rights equivalent to ten times the total number of issued and subscribed A and D Class shares at any moment.

Class A – Can be represented in the form of Brazilian Depositary Receipts (BDR). Class A shares gives the holder the right to one vote per share. In the event of liquidation or dissolution of the Company, holders of Class A shares are entitled to share equally and proportionally the surplus assets of the Company. Class A shares participate in dividends pro rata with Class B shares.

Class B – Can be represented in the form of Brazilian Depositary Receipts (BDR). Class B shares have no voting rights. In the event of liquidation or dissolution of the Company, holders of Class B shares are entitled to share equally and proportionally the surplus assets of the Company. Class B shares participate in dividends pro rata with Class A shares.

Class A Shares and Class B are authorized but not fully issued.

Class C – Class C shares gives equal ten times to a number of votes of total number of Class A , Class B and Class D shares issued and outstanding at any moment. The Class C share has no economic rights on assets of the Company, except to receive a nominal value (US$ 10) in the event of liquidation or dissolution of the Company.

Class D – Class D shares gives the holder the right to one vote per share and has no economic rights.

(In thousands of reais)

b. Withdrawal agreement

At the closing of the IPO, BTGI, BTG Bermuda Holdco and each of the investors that participated in the capital increase of BTGI in December 31, 2010 and hold Class D shares issued by BTGI entered into a withdrawal agreement, determining certain procedures and restrictions: (i) Class D investors may require from BTGI the total or partial cancellation of its equity interests, (ii) BTGP would contribute, through BTG Bermuda Holdco, to BTGI a number of Class A and B shares of BTGP (one-third of which corresponding to Class A shares and two-thirds corresponding to Class B shares) equal to the equity interest corresponding to Class D shares in BTGI, which are being cancelled by the investors, and Class A and B shares would be delivered to the investors, and (iii) BTGI would issue to BTG Bermuda Holdco a number of Class C shares equal to the number of Class D shares held in BTGI to be delivered. After the conclusion of these transactions, BTGP, indirectly through BTG Bermuda Holdco, holds greater equity interest in BTGI, due to the higher percentage of non-controlling interest held in BTGI.

c. Dividends

The Company has not paid dividends for the year ended on December 31, 2012 (2011 – R$ 1,367).

12. Other comprehensive income

Comprise the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the US dollar, and translation of the parent's consolidated financial statements from its functional currency (US Dollar) to its presentation currency (reais). The amounts are directly recognized in other comprehensive income, under shareholders' equity, according to IAS 21, in the amount of R$ 322,978 (2011 – R$ 291,559), and the fair value changes in the financial assets available for sale in the amount of R$ (14,198) (2011-nil).

13. Earnings per share

	2012
Net income attributed to controlling shareholders	58,750
Weighted average per thousand shares outstanding during the year (i)	228,598
Earnings per share - Basic (in Reais)	0.2570
Earnings per share - Diluted (in Reais)	0.2570

(i) Class A and class B shares

As at December 31, 2011, the Company had no net income attributed to controlling shareholders, therefore, earnings per share is not presented for such period.

(In thousands of reais)

14. Interest income (expenses)

Interest income recognized in the consolidated statement of income comprises interest accumulated in the year from loans. The breakdown of this item as at December 31 is as follows:

a. Interest income

Interest income recognized in the statement of income comprise interest accumulated in the year from loans transactions.

	2012	2011
Loans and receivables	36,158	(2,139)
Interest on open market investments	11,871	7,491
	48,029	5,352

b. Interest expenses

	2012	2011
Funding expenses	(31,511)	(16,732)
Foreign exchange	(50,707)	-
Interest on loans and financing	(6,704)	(6,632)
	(88,922)	(23,364)

15. Gain (losses) on financial instruments held for trading

	2012	2011
Derivatives	94,595	(364,391)
Financial assets and liabilities held for trading	543,298	638,178
	637,893	273,787

16. Fees and commissions

Fees and commissions in 2011 refer to income generated by the subsidiaries transferred to Banco BTG Pactual S.A., as described in Note 4(a). Therefore, no fees and commissions have been recognized for this item in 2012.

17. Administrative expenses

	2012	2011
Professional fees (i)	(207,223)	(89,046)

(In thousands of reais)

Expenses related to financial market	(44)	(7,128)
Other administrative expenses	(368)	(25,916)
	(207,635)	(122,090)

(i) Refers to expenses related primarily to management fee and performance fee.

18. Personnel expenses

Personnel expenses were incurred in subsidiaries transferred to Banco BTG Pactual S.A. in July 2011 (Note 4(a)). Therefore, no such expenses were incurred in 2012 (2011 - R$ 74,899).

19. Related parties

The balances of related-party transactions, which are carried out based on usual market rates and conditions, are reflected in the following items:

a. Subsidiaries, related parties and shareholders

			Assets (Liabilities)		Revenues (Expenses)	
	Relationship	**Maturity**	**2012**	**2011**	**2012**	**2011**
Assets						
Cash and cash equivalents						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	22,210	3,677	-	-
Loans and receivables						
- Sócios (i)	Partners	11/21/2032	68,512	374,914	2,610	2,820
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Related	2/14/2013	168,315	-	-	-
- BTG Pactual Holding S.A.	Related	8/10/2031	1,385	1,278	7	122
Due from brokers						
- Banco BTG Pactual S.A. (ii)	Related	-	38,644	30,362	-	-
Derivative financial instruments						
- BTG Pactual Saúde FIP (ii)	Related	-	-	-	2,700	-
Sundry						
- BTG MB Investments (iii)	Related	5/31/2015	40,466	34,985	2,340	30,225
- Banco BTG Pactual S.A. (ii)	Related	1/17/2013	22,032	-	-	-
Liabilities						
Derivative financial instruments						
- Banco BTG Pactual S.A. (ii)	Related	7/4/2014	(284,323)	(81,334)	9,759	(76,608)
Trading financial liabilities						
- Banco BTG Pactual S.A. (ii)	Related	2/25/2013	(35,017)	-	7	-
Financial liabilities at amortized cost						
- BTG Alpha Investments LLC (iii)	Related	-	(30,658)	-	-	-
- Leblon Investment Fund Limited	Related	-	-	(104,614)	(397)	(862)
- ASE Investment Fund	Related	-	-	(2,814)	(5)	(30)
Other liabilities						
- BTG PactuaL Global Asset Management Limited (ii)	Related	No maturity	(37,363)	-	(217,837)	-
- BTG Pactual Asset Management S.A. DTVM (ii)	Related	No maturity	-	-	-	(15,802)
- BTG Pactual Gestora de Recursos Ltda (ii)	Related	No maturity	-	-	-	(8,096)

(i) Considered as BTGI related parties only Executive Directors partners
(ii) Subsidiaries of Banco BTG Pactual S.A, ultimate controlled by BTG Pactual Holding S.A.
(iii) Subsidiaries of BTG MB Investments, LP.

b. Management compensation

As described in Note 1, no management compensation was recognized in the year ended December 31, 2012. In December 31, 2011 management compensation was R$ 10,554 and refers only to BTGI management.

(In thousands of reais)

20. Other information

a. Cash and cash equivalents

Balances at beginning of year	2012	2011
Cash and cash equivalents	31,875	995,509
Open market investments	2,995,898	5,745,441
	3,027,773	6,740,950

Balances at end of year	2012	2011
Cash and cash equivalents	78,813	31,875
Open market investments	11,163	2,995,898
	89,976	3,027,773

b. Equity kicker

BTGI granted to the Merchant Banking Partnership (BTG MB Investments) a series of loans totaling R$ 92.4 million to finance the acquisition of BTG Alpha Investments LLC. These loans were fully repaid in November 2010. However, according to the related agreements, BTGI remains with the right to receive a portion of profits made on certain of BTG MB's investments held (or acquired in the using funds from said loans).

Such profit sharing is only due in investments made by BTGI and transferred to BTG MB Investments, and it does not apply to any other BTG MB Investments, Pactual Group investments, or those made by BTG Pactual Group's private equity funds. This right is only due on May 21, 2015, or in the event these assets are not sold through that date, postponing it to the date of sale of all investments. As of December 31,2012 the company had an estimate receivable amount of R$ 40,466 relating to the equity kicker.

BTG Pactual Participations Ltd.

Notes to the consolidated financial statements
Year ended on december 31
(In thousands of reais)

c. Relevant subsidiary

The Company is the sole owner of BTG Holdco. Accordingly, the Company consolidated BTGI for the financial statements as at December 31, 2012 and 2011. The subsidiary's main figures are as follows:

	2012	2011
Assets	**27,816,188**	**30,584,182**
Securities and derivatives financial instruments	24,530,914	22,220,157
Due from brokers	1,238,759	7,837,967
Others	2,046,515	526,058
Liabilities	**23,772,623**	**28,383,825**
Securities trading and brokerage	23,099,132	15,205,456
Due to brokers	281,790	12,979,368
Other	391,701	199,001
Shareholders' equity	**4,043,565**	**2,200,357**
Total liabilities and shareholders' equity	**27,816,188**	**30,584,182**

Statements of income	**2012**	**2011**
Interest income/expenses, net	(40,893)	(18,012)
Gains on financial instruments, net	1,184,855	273,787
Fees and commissions	-	99,856
Other revenue	38,007	24,259
Gross income	**1,181,969**	**379,890**
Total expenses	(271,048)	(207,898)
Net income for the year	**910,921**	**171,992**
Earnings per share (Basic and diluted in Reais)	0.33	1.15

d. Commitments and responsibilities

BTGI has entered into several investment opportunities mainly in the private equity business. The drawdown notice is subject to investment opportunities identified and agreed and therefore it is difficult to precisely estimate the cash outflows relating to these commitments. As of December 31, 2012 the total commitment undrawn was approximately R$ 1,759 million and it represented substantially by the investments in private equity funds and the joint ventures, mainly B&A Mineração.

Consolidated Financial Statements

BTG Pactual Participations Ltd.

December 31, 2011 and 2010

with Independent Auditor's Report

BTG Pactual Participations Ltd.

Consolidated financial statements

As of December 31, 2011 and 2010

Contents

A free translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in Brazilian currency and in accordance with IFRS

Independent auditors' report

To the Board of Directors and Shareholders
BTG Pactual Participations Ltd.

We have audited the accompanying financial statements of BTG Pactual Participations Ltd. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2011 and 2010 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated cash flows statements for the year ended on December 31, 2011, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of BTG Pactual Participations Ltd. as of December 31, 2011 and 2010 and of its financial performance, changes in its shareholders' equity and its cash flows for the year ended on December 31, 2011 in accordance with International Financial Reporting Standards.

April 2, 2012

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Flávio Serpejante Peppe
Partner

BTG Pactual Participations Ltd.

Consolidated balance sheets
As of December 31
(In thousands of Reais)

	Notes	2011	2010
Assets			
Cash and cash equivalents	5	31,875	995,509
Financial instruments			
Open market investments	6	2,995,898	5,745,441
Derivatives financial Instruments	7	24,352	65,900
Financial assets held for trading	8	18,719,519	17,089,248
Financial assets available for sale	9	480,388	182,925
Loans and receivables	11	376,192	347,030
Receivable from brokers	12	7,837,967	6,058,895
Other assets		117,952	205,120
Property, plant and equipment		39	9,744
Total assets		30,584,182	30,699,812

The accompanying notes are an integral part of these consolidated financial statements

BTG Pactual Participations Ltd.

Consolidated balance sheet
As of December 31
(In thousands of Reais)

	Notes	2011(1)	2010(1)
Shareholders' equity and liabilities			
Financial Instruments			
Open market funding	7	9,916,457	8,190,758
Derivatives financial instruments	8	309,085	55,816
Financial liabilities held for trading	9	4,979,914	13,963,558
Financial liabilities at amortized cost	15	107,428	565,626
Payables to brokers	13	12,979,368	5,949,870
Other liabilities	16	91,573	236,011
		28,383,825	28,961,639
Shareholders' equity	17		
Capital		1	1
Total shareholders' equity		1	1
Non-controlling interests		2,200,356	1,738,172
Total shareholders' equity and non-controlling interests		2,200,357	1,738,173
Total of the Shareholders' equity and liabilities		30,584,182	30,699,812

(1) Amended as described in Note 2.1.

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

BTG Pactual Participations Ltd

Consolidated income statements
Year ended December 31
(In thousands of Reais, except earnings per share information)

	Notes	2011[1]
Interest income	21	5,352
Interest expense	21	(23,364)
Net interest (expense)/income		(18,012)
Net gain on financial instruments held for trading		273,787
Fees and commissions	19	99,856
Other income		24,259
Total income		379,890
Administrative expenses	20	(122,090)
Personnel expenses		(74,899)
Tax expenses (other than income tax)		(3,166)
Other expenses		(7,743)
		(207,898)
Net income for the year		171,992
Attributable to:		
Controlling interests		-
Non-controlling interests		171,992
Earnings per share (basic and diluted)		1.15

(1) Amended as described in Note 2.1.

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

BTG Pactual Participations Ltd.

Consolidated statements of comprehensive income
Year end December 31
(In thousands of Reais)

	2011[1]
Net income for the year	171,992
Other comprehensive income	
Translations adjustments	291,559
Total comprehensive income for the year	463,551
Attributable to:	
Controlling interests	-
Non-controlling interests	463,551

(1) Amended as described in Note 2.1

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

BTG Pactual Participations Ltd.

Consolidated statements of changes in shareholders' equity
Year ended December 31,
(In thousands of Reais)

	Capital[(1)]	Total shareholders' Equity[(1)]	Non-controlling interests[(1)]	Total shareholders' equity and non-controlling interests[(1)]
December 31, 2010	1	1	1,738,172	1,738,173
Net income for the year	-	-	171,992	171,992
Declared dividends (Note 18)	-	-	(1,367)	(1,367)
Translation adjustments	-	-	291,559	291,559
December 31, 2011	1	1	2,200,356	2,200,357

(1) Amended as described in Note 2.1

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

BTG Pactual Participations Ltd.

Consolidated statements of cash flows
Years ended December 31
(In thousands of Reais)

	2011
Operational activities:	
Net income for the year	171,992
Depreciation and amortization	1,324
Adjusted net income for the year	173,316
Changes in operating assets and liabilities:	
Open market investments	2,749,543
Derivatives financial instruments	294,817
Financial assets held for trading	(1,630,271)
Financial assets available for sale	(297,463)
Receivables from brokers	(1,779,072)
Loans and receivables	(29,162)
Other assets	87,073
Open market funding	1,725,699
Financial liabilities held for trading	(8,983,644)
Financial liabilities at amortized cost	(458,198)
Payables to brokers	7,029,498
Other liabilities	(169,970)
Net cash used in operational activities	(1,287,834)
Investment activities:	
Disposal of property, plant and equipment	8,393
Net Cash flow provided by investment activities	8,393
Dividends paid	(1,367)
Net cash used in financing activities	(1,367)
Decrease in cash and cash equivalents	(1,280,808)
Cash and cash equivalents at the beginning of the year	995,509
Exchange gains on cash and cash equivalents	317,174
Cash and cash equivalents at end of the year	31,875

The accompanying notes are an integral part of these consolidated financial statements

1. Corporate information

BTG Pactual Participations Ltd. ("BTGP" or "Company") was incorporated as a tax exempted limited liability company under the Companies law of the Bermuda Island on March 26, 2010 and commenced operations at the same date. The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2016, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

The Company is the sole owner of BTG Bermuda LP Holdco Ltd. ("BTG Holdco"). On December 29, 2010, the former general partner of BTG Investments LP ("BTGI"), a related party, contributed the general partnership interest of BTGI to the Company in exchange for the Company's issuance to such related party of the Class C share. As a consequence this transaction, the Company, as the general partner of BTGI, obtained the right to govern the financial and operating policies of BTGI.

On December 29, 2010 the Bermuda Monetary Authority approved the incorporation of the Company.

The Company was formed for the purposes of being a holding company. Through participation in the Company, investors who join the planned public offering ("IPO") will have an indirect interest in BTGI.

The financial statements were approved by the General Partner committee on April 2, 2012.

2. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by International Accounting Standards Board (IASB). Assets and liabilities are stated mainly at fair value as disclosed in the accounting policies herein.

The preparation of the financial statements requires the use of certain critical accounting estimates and also management judgment in the process of application of its accounting policies. Those areas that require a higher degree of judgment or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4). Accordingly, actual results could differ from those estimates.

As described in Note 1, the Company took over control of BTGI on December 29, 2010. For this reason, no significant transaction transactions occurred between that date and December 31, 2010 which impacted the income statement, Management is not presenting the income statement and statement of cash flows for the period of two days ended December 31, 2010.

2.1 Amendment of the financial statements

The Company does not have economic interests on BTGI's net assets. The economic interests on BTGI's net assets are held by BTGP's controlling shareholders and not by the Company. The Company amended certain information in its consolidated financial statements, relating to the presentation of the controlling and non-controlling interest, in order to present all economic interest in BTGI as non-controlling interest. Previously, controlling interest corresponded to BTGP's controlling shareholders. The amendment changed the consolidated balance sheet, income statement, statements of comprehensive income and changes in shareholders' equity. There were no changes to the total assets, shareholders' equity and liabilities, and net income for the year.

3. Summary of significant accounting policies

We list below the standards issued that had not yet come into force until the date of issuance of the Company's consolidated financial statements. This list of standards and interpretations issued includes those that the Company reasonably expected to have an impact on the disclosures, financial condition or performance through its application at a future date. The Company intends to adopt such rules when they come into force.

• **IAS 1 Presentation of Financial Statements -** Presentation of Items of Other Comprehensive Income. This amendment shall become effective for annual periods beginning on or after January 1, 2012.

• **IAS 27 Consolidated and Separate Financial Statements (revised 2011)**
As a result of recent IFRS 10 and 12, which remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. This amendment becomes effective for annual periods beginning on or after January 1, 2013.

• **IAS 28 Accounting for Investments in Associates and Joint Ventures (revised 2011)**

As a result of recent IFRS 11 and IFRS 12, IAS 28 is replaced by IAS 28 Investments in Associates and Joint Ventures, and describes the application of equity method for investments in joint ventures, and investment in associates. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company's management assessed the revision of the standard and found no impact on the financial statements.

• **IFRS 7 Financial Instruments: Disclosures**

This amendment requires additional disclosures about financial assets that were transferred but not derecognized in order to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures as to the continuing involvement with the derecognized financial assets to enable the user to evaluate the nature of the entity's continuous involvement with the derecognized assets disposed of, as well as the associated risks.

This amendment shall become effective for annual periods beginning on or after July 1, 2011. The amendment in question affects only disclosures and has no impact on performance or financial position. The Company's management assessed the revision of the standard and do not expect significant impact on the financial statements.

• IFRS 9 Financial Instruments - Classification and Measurement

The IFRS 9 as it was issued reflects the first phase of the IASB's work on the replacing IAS 39 and refers to the classification and measurement of financial assets and liabilities as stated in IAS 39. The standard becomes effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will examine hedge accounting and loss in recoverable value of financial assets. This project should be concluded at the end of 2011 or the first half of 2012. Adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets of the Company, but will not bring potential impacts on the classification and measurement of financial liabilities. The Company will quantify the effect of this amendment in conjunction with other phases.

• IFRS 10 - Consolidated Financial Statements

The IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements which refer to the accounting treatment of financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities - Involvement with Other Entities. The Company's management assessed the revision of the standard and found no impact on the financial statements.

The IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 would require management to exercise significant judgment in determining which entities are controlled and therefore need to be consolidated by the parent, compared with the requirements established by IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

• IFRS 11 - Joint Agreements

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

• IFRS 13 - Fair Value Measurement

This amendment shall become effective for annual periods beginning on or after January 1, 2013.

a) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. The estimates are based on historical experience and various other factors that the management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b) Functional currency and of presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. dollar, since the majority of the Company's business transactions are in the mentioned currency.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. dollars are converted into U.S. dollar exchange rates closing at the end of each period. The equity transactions are translated using the historical date. Transactions during the closing of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in “translation adjustments” in the statement of comprehensive income.

Presentation currency

The financial statements prepared in accordance with IFRS, as mentioned above, are presented in Reais that is the presentation currency.

These consolidated financial statement is presented using the Real as its reporting currency exclusively to meet the specific requirements of the Federal Securities Commission (CVM), the Brazilian regulatory body.

The conversion of U.S. dollar functional currency into reais was recorded pursuant to the methodology described in IAS 21 – *The effects of changes in exchange rates,* and are summarized below:

The Assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date.

Income and expenses for each comprehensive income and separate income statement presented were translated at the exchange dates at the transaction.

For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows.

All resulting translation differences are recognized directly in “translation adjustments” in the statement of comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flow include cash on-hand, current accounts without restrictions and, when applicable,receivables from banks on demand or with original maturity of three months or less.

On December 31, 2011 and 2010, cash and cash equivalents were comprised by bank deposits.

d) Revenue and expense recognition

(iv) Fees and commissions

Revenues from fees and commissions are recognized in the period in which such revenues are unconditionally earned and amounts are fixed or determinable.

(v) Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

The interest on financial instruments at fair value through profit and loss are recorded in “Net gain on financial instruments held for trading”.

(vi) Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments measured at fair value are recorded in "Net gain on financial instruments held for trading", and dividends received on financial assets as available for sale are classified as "Dividend income".

e) Going concern

Management evaluated the Company's capacity to continue operating as usual and has concluded that the Company 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.

f) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value are recorded in expenses “Net income from financial instruments”. Interest revenue, expenses and dividends are registered as “Interest income” and “Interest expense”, pursuant to the terms of the agreement or according to the payment agreed.

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modify the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Changes in the fair value are recorded in “Net gain on financial assets or liabilities designated at fair value through profit and loss”. Earned or incurred interest is allocated to “Interest income” or “Interest expense”, respectively, using the effective interest rate method, while dividend revenues are recognized as “Other income” when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares and debt instruments. Shares classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Net gain on financial instruments available for sale."

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net results with financial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognised.

(viii) Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Due from brokers and loans and receivables

Due from brokers and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, due from brokers and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or

- The Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:

- There is substantial transfer of all risks and benefits of the asset; or

- There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the Company have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaires.

(ii) Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in “open market funding” The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet .

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

Borrowing and loans

Borrowings transactions and loans are generally collateralized by securities or cash. The transfer of the security to the counterpart is only reflected in the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or cash received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the balance sheet, except if they have been sold to third parties, in which case the obligation to return the security is recorded as “financial liabilities held for trading” with gains or losses including in net gain on financial instruments held for trading".

Determining fair value

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

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation.

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

Financial instruments – Offsetting

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

Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(I) Financial assets accounted at the amortized cost

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

g) Receivables from / payable to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

h) Accounts receivable / payable to others

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

i) Property, plant and equipment

Property, plant and equipment is accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment is written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statement of income when the asset is disposed.

j) Impairment of nonfinancial assets

Assets that have an indefinite life, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU).

k) Contingent assets and liabilities

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

l) Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the extraordinary general meeting / meeting.

m) Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company’s chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including certain special purpose entities) that are controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity; generally conferred by holding a majority of voting rights. On acquisition of a subsidiary from non related parties, its identifiable assets, liabilities and contingent liabilities are included in the consolidated accounts at their fair value. Any excess of the cost (the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Group plus any directly attributable costs) of an acquisition over the fair value of the net assets acquired is recognised as goodwill. The interest of minority shareholders is stated at their share of the fair value of the subsidiary’s net assets.

(In thousands of Reais, except otherwise indicated)

The results of subsidiaries acquired are included in the consolidated income statement from the date control passes up until the Company ceases to control them through a sale or significant change in circumstances. All intra-group balances, transactions, income and expenses are eliminated on consolidation. The consolidated accounts are prepared using uniform accounting policies.

Business combinations between entities under common control are accounted based on the accounting values of the assets and liabilities acquired. The non-controlling interest on transactions with common control entities is presented based on the accounting values of the non-controlling interest on the net assets of the entity acquired.

a) Subsidiaries

On December 31, 2011, the consolidated financial statements comprise the financial statements of the Company and the following subsidiaries:

	Shareholding (%)	
	2011	**2010**
Direct		
BTG Bermuda LP Holdco Ltd.	100	100
Indirect		
BTG Investments LP	100	100
BTG Pactual Proprietary Feeder Limited	100	100
BTG Pactual Global Asset Management Limited (*)	-	100
BTG Loanco LLP	100	100
BTGPactual Stigma LLC	100	100
BTGP Reinsurance Holdings LP	100	100
BTG Pactual Europe LLP (*)	-	100
BTG PactualUS Capital, LLC. (*)	-	100
BTG Asset Management (UK) LLP	-	100
BTG GAM UK Limited (*)	-	100
BTG Equity Investments LLC	100	100
BTG Pactual US Capital Corp. (*)	-	100
BTG Pactual Asia Limited (*)	-	100
BTG Pactual Absolute Return Master Fund LP	100	100
BTGP Stigma Participações S.A.	100	100
BTG Pactual Brazil Investment Fund I, LP	100	100
Preserve Insurance Co. Ltd	100	100

(*) As part of the restructuring process of the BTG Group, the control of these subsidiaries were transferred to Banco BTG Pactual SA at book value, and did not generate any impact on the income statements.

(In thousands of Reais, except otherwise indicated)

As described in Note 1, the Company, as of December 29, 2010, became the general partner of BTGI and has the power to govern the financial and operating policies of BTGI through its ownership of its general partnership interest. The Company currently does not have economic interest on BTGI's net assets. As a consequence, all the economic interests are held by other shareholders and therefore presented as non-controlling interest on the consolidated financial statements of the Company.

5. Cash and Cash equivalents

	2011	2010
Bank deposits	31,875	995,509

Bank deposits are held with top tier financial institutions.

6. Open market investments

	2011	2010
Reverse repurchase agreements	9,109,262	8,475,791
Netting	(6,113,364)	(2,730,350)
Net	2,995,898	5,745,441
Repurchase agreements	16,029,821	10,921,108
Netting	(6,113,364)	(2,730,350)
Net	9,916,457	8,190,758

As of December 31, 2011 and 2010 market values of securities provided as collateral in these operations were R$ 9,225,189 and R$ 8,463,337; respectively. The amounts received as collateral in 2011 and 2010 were R$ 10,221,465 and R$ 11,213,177, respectively.

7. Derivative Financial Instruments

The Company carries out transactions with derivative financial instruments. The Company's policy for derivatives includes procedures in force to monitor and control its use.

Derivative contracts are entered into with counterparties of top tier financial institutions and are usually of relatively short duration. All gains and losses generated by derivative transactions are included in the statement of income. As of December 31, 2011 and 2010, there were no derivative financial instruments classified as *hedging* instruments.

(In thousands of Reais, except otherwise indicated)

The Company has transacted in options, swaps and forward during the year ended December 31, 2010. Transactions outstanding at December 31 of the respective years are:

	2011		2010	
	Assets (Liabilities)	Notional	Assets (Liabilities)	Notional
Future				
Currency	474	126,631	-	-
Interest rate	(13,466)	4,974,345	-	-
Index future	111	40,835	-	-
Commodities	-	85	-	-
	(12,881)	5,141,896	-	-
Forward				
Currency	(88,449)	1,148,388	(1,260)	3,629
	(88,449)	1,148,388	(1,260)	3,629
Options	(86,880)	186,024,114	(9,613)	99,900
Credit Derivative	(16,289)	93,755	20,957	22,624
Swap				
Interest rate	-	9,151	-	-
Equities	(80,234)	17,632,552	-	-
	(80,234)	17,641,703	-	-
Total	(284,733)	210,049,856	10,084	126,153

8. Financial Assets and Liabilities held for trading

	2011	2010
Financial assets held for trading		
Equities	293,101	542,033
Bank debt	95	83
US Agencies	7,060,955	5,699,673
Debt bonds - Sovereign	10,952,611	10,847,459
Investment funds	412,757	-
	18,719,519	17,089,248
Financial assets held for trading		
Short sales	4,979,914	13,963,558

(In thousands of Reais, except otherwise indicated)

9. Financial assets available for sale

Description	2011	2010
STR Projetos e Participações em Recursos Naturais (a)	170,466	169,894
Investment fund quotas (b)	306,091	-
Others	3,831	13,031
	480,388	182,925

(c) Represented by a non-controlling interest in private (non-exchange traded) companies in the oil & gas and mining businesses.

(d) Represented by direct and indirect 32.5% stake in investment fund (BTG Pactual Principal Investments Fundo de Investimento em Participações (“FIP”)). The FIP’s portfolio of investments is set below:

Investments	Business	December 31, 2011
NTNB	Brazilian Governement Notes (Notas do Tesouro Nacional – Série B)	161,866
Brasbunker Participações S.A.	Bunker oil	237,789
Brazil Pharma S.A.	Pharma	150,585
CCRR Participações S.A.	Adhesives, labels and specialty paper	88,120
Estre Participações S.A.	Waste recycling	303,300
Others	Others	158
		941,818
Direct and indirect stake in FIP		32.5%
Total interest in FIP		306,091

Company’s Management concluded that, except for investment in Brazil Pharma S.A., which is a publicly traded company, it is not practicable to determine with reasonable certainty the fair value of the remaining investments in the balance sheet dates. Consequently, these investments are recorded at cost (fair value at acquisition), and restated at fair value only upon occurrence of a liquidity event.

10. Fair value measurement

Amendments to IFRS 7 (improving disclosures about financial instruments) were issued in March 2009. The amendments require enhanced disclosures about investments that are measured and reported at fair value. The amendment establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available quoted prices in active markets or for which fair value can be measured from quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

(In thousands of Reais, except otherwise indicated)

The following table summarizes the valuation of financial assets and liabilities of the Company according to the levels of hierarchy of fair value mentioned above on December 31:

2011	Level 1	Level 2	Level 3	Total
Assets				
Equities	211,401	81,707	-	293,101
Reverse repurchase agreements	2,995,898	-	-	2,995,898
Financial assets held for trading	16,889,310	1,537,014	94	18,426,418
Derivatives	7,467	16,885	-	24,352
	20,104,076	1,635,606	94	21,739,769
Liabilities				
Repurchase agreements	(9,916,457)	-	-	(9,916,457)
Financial liabilities held for trading	(4,979,914)	-	-	(4,979,914)
Derivatives	(17,414)	(210,350)	(81,321)	(309,085)
	(14,913,785)	(210,350)	(81,321)	(15,205,456)

2010	Level 1	Level 2	Level 3	Total
Assets				
Equities	33,366	508,667	-	542,033
Reverse repurchase agreements	5,745,441	-	-	5,745,441
Financial assets held for trading	16,077,196	469,936	83	16,547,215
Derivatives	2,300	63,600	-	65,900
	21,858,303	1,042,203	83	22,900,589
Liabilities				
Repurchase agreements	(8,190,758)	-	-	(8,190,758)
Financial liabilities held for trading	(13,963,558)	-	-	(13,963,558)
Derivatives	(5,025)	(48,676)	(2,115)	(55,816)
	(22,159,341) -	(48,676) -	(2,115) -	(22,210,132)

There were no significant movements between level 1 and level 2 investments during the year.

The level 3 investments held relate to bank debt and are fair valued based on a single broker quote and options. The following table shows a reconciliation of all movements in the fair value of the bank debt categorized within level 3 at the beginning and the end of the year.

Bank debt	**2011**
At the beginning of the year	**83**
Unrealized gains	11
At the end of the year	94

Options	**2011**
At the beginning of the year	(2,115)
Sales	(1,886)
Mark to market	(77,320)
At the end of the year	(81,321)

(In thousands of Reais, except otherwise indicated)

11. Loans and receivables

	2011	2010
Partners (a)	374,914	344,931
BTG Pactual Holding S.A.	1,278	
Other loans	-	2,099
	376,192	347,030

(a) Comprises several loans with the Company's shareholders, subject to CDI indexation and maturity up to 20 years.

12. Receivables from / Payables to brokers

The following table shows the breakdown of the amounts with the top tier brokers and other counterparties on 31 December.

Receivables from brokers

	2011	2010
Custodian		
Banco BTG Pactual S.A.	30,362	140,282
Prime brokers		
UBS AG	5,303,544	2,653,337
Citigroup	8,149,590	9,380,406
Bank of America	23,319	-
Bank of New York Mellon	180	158
Goldman Sachs	43	70
Barclays Bank	-	1,737
Deutsche Bank	28	-
Other	24	-
	13,507,090	12,175,990
Netting	(5,669,123)	(6,117,095)
	7,837,967	**6,058,895**

Payables to brokers

	2011	2010
Custodian		
Banco BTG Pactual S.A.	113,434	338,166
Prime brokers		
UBS AG	7,382,222	2,081,336
Citigroup	11,129,392	9,628,383
Bank of America	-	19,077
Barclays Bank	23,321	-
Morgan Stanley	26	-
Others	96	3
	18,648,491	12,066,965
Netting	(5,669,123)	(6,117,095)
	12,979,368	**5,949,870**

(In thousands of Reais, except otherwise indicated)

13. Financial liabilities at amortized cost

As at december 31,2011 and 2010 the balances are mainly comprised by demand notes, subject to Libor indexation and with maturities up to December of 2012 (2010 – Maturity dates until December of 2012).

14. Other payables

	2011	2010
Marketable securities	15,030	42,909
Management fees	34,256	30,662
Bonus payable	1,875	133,358
Unsettled balances	25,170	-
Other	15,242	29,082
	91,573	236,011

15. Shareholders' equity

15.1. Capital

	Authorized	Issued	Par Value Per Share (In $)	Voting	Vote per share
Class A	5,000,000,000	-	-	Yes	1
Class B	10,000,000,000	-	-	No	-
Class C	1	1	10,00	Yes	*
Class D	1,000,000,000	149,222,798	0,0000000001000	Yes	1
Total	**16,000,000,001**	**149,222,799**			

(*)The Class C share entitles its holder to a number of votes equal to ten times the aggregate number of Class A shares, Class B shares and Class D shares issued and outstanding at any given time.

Class A – May be represented in the form of Brazilian Depositary Receipts (BDRs). Class A shares entitle their holder to one vote per share. In the event of the winding-up or dissolution of the Company, holders of Class A shares are entitled to share equally and ratably in the surplus assets of the Company. Class A shares participate pro rata with Class B shares in respect of dividends.

Class B – May be represented in the form of Brazilian Depositary Receipts (BDRs). Class B shares are generally not entitled to vote. In the event of the winding-up or dissolution of the Company, holders of Class B shares are entitled to share equally and ratably in the surplus assets of the Company. Class B shares participate pro rata with Class A shares in respect of dividends.

Class A and B shares are authorized but not fully paid.

Class C - The Class C share entitles its holder to a number of votes equal to ten times the aggregate number of Class A shares, Class B shares and Class D shares issued and outstanding at any given time. The Class C share has no economic rights other than its right to receive par value ($10) in the event of the winding-up or dissolution of the Company.

Class D – Class D shares entitle their holder to one vote per share and have no economic rights.

At December 31, 2011 and 2010 the Company had no shares in treasury.

Withdrawal agreement

At the closing of an initial public offering (“IPO”), BTGI, BTG Bermuda Holdco and each of the investors that participated in the capital increase in December 2010 of BTGI and hold Class D partnership interests in BTGI will enter into a withdrawal agreement, pursuant to which, subject to certain procedures and restrictions, (i) such investor may surrender to BTGI for cancellation any or all of the Class D partnership interests, (ii) BTGP will contribute, through BTG Bermuda Holdco, to BTGI a number of Class A shares and Class B shares of BTGP (with one-third of such shares being Class A shares and two-thirds of being Class B shares) equal to the number of Class D partnership interests in the BTGI that are being surrendered by such investor and such shares will be delivered to such investor, and (iii) BTGI will issue to BTG Bermuda Holdco a number of Class C partnership interests equal to the number of Class D partnership interests in BTGI being surrendered. Upon consummation of these transactions, BTGP, indirectly through BTG Bermuda Holdco, will have a larger economic interest in BTGI by virtue of holding a larger percentage of the outstanding limited partnership interests in BTGI.

15.2. Foreign currency translation reserve

Composed of differences arising from conversion of assets and liabilities of foreign subsidiaries with functional currency other than U.S. dollars, accounted for in equity (other comprehensive income) in accordance with IAS 21.

16. Earnings per share (basic and diluted)

Earnings per share are calculated by dividing the net income by the weighted average shares outstanding during the years. On December 31, 2010 the Company does not have any event that generates dilution.

Basic and diluted	**2011**
Net profit for the fiscal year	171,992
Weighted average number of shares outstanding during the year (in thousands)	149,223
Net income per share (in R$)	1.15

17. Dividends per share

The dividend per share distributed by BTGI is as follows:

	2011
Declared dividends	1,367
Weighted average number of shares outstanding during the year (in thousands)	2,400,000
Dividend – basic and diluted (In R$)	0.01

18. Management Fees and commissions

In the years ended on December 31, 2011 and 2010 refer mainly to the management fees for portfolio management.

(In thousands of Reais, except otherwise indicated)

19. Administrative expenses

	2011
Rental	4,248
Professional fees – related parties	10,800
Professional fees	78,246
Brokerage rebate	7,128
Travel, presentation and conferences	6,733
Other administrative expenses	14,935
Total	122,090

20. Interest income / expenses

c) Income

Interest income is comprised by:

	2011
Interest on loans and borrowings	(2,139)
Interest on open marketing transactions	7,491
Total	5,352

d) Expenses:

Interest expenses are composed as follows:

	2011
Funding expenses	16,732
Interest on borrowings	6,632
Total	23,364

(In thousands of Reais, except otherwise indicated)

21. Transactions with related parties

a) Subsidiaries, related companies and partners

Transactions with related parties		2011	
	Relationship	Assets (liabilities)	Income (expense)
Cash and Cash equivalents			
Banco BTG Pactual S.A.	Affiliate	3,677	-
Loans and receivables			
Partners	Partners	374,914	2,820
BTG Pactual Holding S.A..	Affiliate	1,278	122
Receivables from brokers			
Banco BTG Pactual S.A.	Affiliate	30,362	-
Derivatives financial Instruments			
Banco BTG Pactual S.A.	Affiliate	(81,334)	(64,910)
Amounts payable to brokers			
Banco BTG Pactual S.A.	Affiliate	113,434	-
Other assets			
BTG Pactual Principal Investments Fundo de Investimento em Participações (“FIP”)	Affiliate	306,091	-
Banco BTG MB Investments L.P.	Affiliate	34,985	30,225
Financial liabilities at amortized cost			
ASE Investment Fund Limited	Affiliate	(2,814)	(30)
Leblon Investment Fund Limited	Affiliate	(104,614)	(862)
Other liabilities			
Banco BTG Pactual S.A.	Affiliate	-	(15,802)
BTG Pactual Asset Management S.A. DTVM..	Affiliate	-	(15,802)
BTG Pactual Gestora de Recursos Ltda.	Affiliate	-	(8,096)

(In thousands of Reais, except otherwise indicated)

		2010	
Transactions with related parties	**Relationship**	**Assets (liabilities)**	**Income (expense)**
Cash and Cash equivalents			
BTG Pactual Banking Limited	Affiliate	793,686	-
Loans and receivables			
Partners	Partners	344,931	28,678
Financial liabilities designated at fair value through profit or loss			
BTG Pactual Baking Limited.	Affiliate	(2,115)	-
Receivables from brokers			
Banco BTG Pactual S.A.	Affiliate	140,282	-
Other current assets			
Banco BTG Pactual S.A.	Affiliate	4,140	-
BTG Pacutal Banking Limited	Affiliate	44,853	-
BTG Pactual Corretora de Titulos e Valores Mobiliários S.A.	Affiliate	2,870	-
Loans and borrowings			
ASE Investment Fund Limited	Affiliate	12,449	(258)
Leblon Investment Fund Limited	Affiliate	303,971	(4,125)
Amounts payable to brokers			
Banco BTG Pactual S.A.	Affiliate	338,166	-
Other liabilities			
Banco BTG Pactual S.A.	Affiliate	(15,330)	-
BTG Pactual Distribuidora de Títulos e Valores Mobiliários S.A.	Affiliate	(15,330)	-
Financial expense			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Affiliate	-	(28)
Other operating income (expenses)			
Banco BTG Pactual S.A.	Affiliate	-	26,536
BTG Pactual Banking Limited	Affiliate	-	(6,483)
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Affiliate	-	(3,554)
BTG Pactual Distribuidora de Títulos e Valores Mobiliários S.A.	Affiliate	-	37,623

b) Remuneration of key members of management

The remuneration of key members of management for the year ending on December 31, 2011 was of R$ 10,554 (2010 - R$ 13,083) and refers only to BTGI executives.

22. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees allows engaging the whole organization and ensuring decisions are readily implemented.

The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The Bank seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

The majority of fees and commissions are generated on transactions with clients domiciled in Brazil. Interest income and net gain of financial instruments held for trading are predominantly generated in transaction with counterparties domiciled in the United States of America.

a) Market Risk

The various scenarios envisaged for market behavior are properly simulated by means of Value-at-Risk ("VaR") calculation models and, especially, via stress tests and analysis of scenario, which allows the identification of the main risk components to be controlled. The development of computer systems that support the decision-making process enables the efficient performance of the investment process as a whole – including selection, analysis, monitoring, optimization and simulation.

(In thousands of Reais, except otherwise indicated)

The Value-at-Risk is calculated using historical simulation methodologies and, where necessary, the Monte Carlo simulation. The stress tests are conducted using three different models: historical stress test, worst case scenario and hypothetical stress test.

Our VaR calculation is based on a Parametric VaR which uses 1 year of historical data. So, the VaR that the Company measures is an estimate, using a confidence level of 95%, of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of a 95% confidence level means that, within a one day horizon, losses exceeding the VaR figure should not occur, on average, not more than five times every hundred days.or set-off with hedges within the term of one day. As aforementioned, we use a Stress Test model as a VaR supplement in the Bank's risk management daily activities.

In Million of R$	**2011**	**2010**
VaR annual	(32.2)	(22.5)

b) Credit Risk

All of the Company's counterparties are subject to careful 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 Company's counterparties credit limits are established by the Credit Committee and are regularly revised.

The total Company's exposure to credit risk is measured and evaluated considering all financial instruments involving any counterparty risk, which considers the total value of the collaterals and derivative transactions. For derivatives, all risk factors are applied to the financial value of the contracts in order to monitor the exposure to the credit risk in derivatives.

The credit risk exposure is calculated based on items of the balance sheet. The following table shows the main exposures to credit risk on the basis of its counterparties' book values and categorized by types of activity of the counterparty:

2011	**Government**	**Financial Institutions**	**US Agencies**	**Corporate**	**Investment Funds**	**Others**	**Total**
Cash and cash equivalents	-	31,875	-	-	-	-	31,875
Open market	-	2,995,898	-	-	-	-	2,995,898
Derivative financial instruments	-	24,352	-	-	-	-	24,352
Financial asset held for trading	10,952,611	94	7,060,955	293,101	-	412,758	18,719,519
Receivables from brokers	-	7,837,967	-	-	-	-	7,837,967
Loans and receivables	-	-	-	-	376,192	-	376,192
Assets available for sales	-	-	-	480,388	-		480,388
Others	-	-	-	-	-	117,991	117,991
	10,952,611	**10,890,186**	**7,060,955**	**773,489**	**376,192**	**530,749**	**30,584,182**

(In thousands of Reais, except otherwise indicated)

2010	Government	Financial Institutions	Corporate	Investment Funds	Others	Total
Cash and cash equivalents	-	995,509	-	-	-	995,509
Open market	-	5,745,441	-	-	-	5,745,441
Derivative financial instruments	-	65,900	-	-	-	65,900
Financial asset held for trading	10,847,459	5,699,673	-	-	542,116	17,089,248
Receivables from brokers	-	6,058,895	-	-	-	6,058,895
Loans and receivables	-	-	-	347,030	-	347,030
Assets available for sales	-	-	182,925	-		182,925
Others	-	-	-	-	214,864	214,864
	10,847,459	**18,565,418**	**182,925**	**347,030**	**756,980**	**30,699,812**

The table below summarises the significant region concentrations within the portfolio.

	2011	2010
United states of America	94.31%	82.88%
South America	5.56%	16.80%
Others	0.13%	0.32%
Total	100%	100%

c) Liquidity risk

The Company's liquidity position, in volatile markets or when the negotiation of a security is impaired in the market, can be reduced. In such cases, the Company may not be able to sell some assets, which could adversely affect its ability to balance your portfolio or to meet recovery requests. Moreover, such circumstances may force the Company to sell assets at a lower prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or to avoid losses related to them.

If the Company incur substantial losses in trading, liquidity needs could increase considerably while the access to liquidity could be impaired. Along with a downturn in the market, the counterparties of the Company could recognize losses, weakening its financial position and increase the risk of the Company's credit. According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the Company's financial liabilities, by maturity, corresponding to the outstanding balances on the balance sheet until the maturity date.

(In thousands of Reais, except otherwise indicated)

The counterparties of the financial instruments are predominantly domiciled in Brazil and in the United States of America.

2011	Less than 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	No stated maturity	Total
Assets							
Cash and cash equivalents	31,875	-	-	-	-		31,875
Financial instruments	21,739,769	-	-	-	376,192	480,388	22,596,349
Receivables from brokers	7,837,967	-	-	-	-	-	7,837,967
Other financial assets	-	-	-	-	-	117,952	117,952
Property , plant and equipment	-	-	-	-	-	39	39
Total	29,609,611	-	-	-	376,192	598,379	30,584,182
Liabilities							
Financial instruments	15,205,456	-	107,428	-	-	-	15,312,884
Payables to brokers	12,979,368	-	-	-	-	-	12,979,368
Others		-			-	91,573	91,573
Total shareholders' equity	-	-	-	-	-	1	1
Equity attributable to Non-controlling interests	-	-	-	-	-	2,200,356	2,200,356
Total	28,184,824	-	107,428	-	-	2,291,930	30,584,182

2010	Less than 3 months	3 - 6 months	6 months to 1 year	1 - 5 years	> 5 years	No stated maturity	Total
Assets							
Cash and cash equivalents	995,509	-	-	-	-	-	995,509
Financial instruments	5,642,177	55,721	3,904,262	2,017,416	11,084,531	726,437	23,430,544
Due from brokers	6,058,895	-	-	-	-	-	6,058,895
Other financial assets	-	-	-	-	-	205,120	205,120
Property , plant and equipment	-	-	-	9,744	-	-	9,744
Total	12,696,581	55,721	3,904,262	2,027,160	11,084,531	931,557	30,699,812
Liabilities							
Financial instruments	7,984,726	17,555	19,490	5,630,297	8,735,453	388,237	22,775,758
Payables to brokers	5,949,870	-	-	-	-	-	5,949,870
Others						236,011	236,011
Total shareholders'equity	-	-	-	-	-	1	1
Non-controlling interests	-	-	-	-	-	1,738,172	1,738,172
Total	13,934,596	17,555	19,490	5,630,297	8,735,453	2,362,421	30,699,812

BANCO BTG PACTUAL S.A. and BTG PACTUAL PARTICIPATIONS LTD.

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