Financial Statements

Banco BTG Pactual S.A. and Subsidiaries

(Formerly Banco UBS Pactual S.A.)

June, 30 2010 and 2009
with Report of Independent Auditors

BANCO BTG PACTUAL S.A. AND SUBSIDIARIES

(Formerly Banco UBS Pactual S.A.)

Financial Statements

June, 30 2010 and 2009

Contents

Report of independent auditors 1

Audited financial statements

Balance sheets 3
Statements of income 5
Statements of changes in shareholders' equity 6
Statements of cash flows 7
Notes to financial statements 8

A free translation from Portuguese into English of Report of Independent Auditors on financial statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil

Report of independent auditors

The Board of Directors and Shareholders
Banco BTG Pactual S.A.
(Formerly Banco UBS Pactual S.A.)

1. We have audited the accompanying balance sheets of Banco BTG Pactual S.A. and the consolidated balance sheets of Banco BTG Pactual S.A. and subsidiaries as of June 30, 2010 and 2009 and the related statements of income, changes in shareholders' equity and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

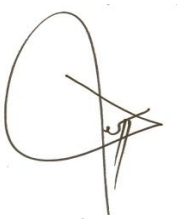
2. We conducted our audits in accordance with Brazilian auditing standards, which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Bank and Consolidated; (b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting practices used and significant estimates made by the management of the Bank's and Consolidated, as well as an evaluation of the overall financial statements presentation.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. and the consolidated financial position of Banco BTG Pactual S.A. and subsidiaries at June 30, 2010 and 2009, and the results of their operations, changes in their shareholders' equity and their cash flows for the six-month periods then ended, in accordance with the accounting practices adopted in Brazil, applicable for financial institutions regulated by the Central Bank of Brazil.

4. As presented in note 1, during the six-month period ended June 30, 2010, BTG Pactual Investimentos S.A. was fully merged into Banco BTG Pactual S.A. In connection with the Central Bank of Brazil's rules, we examined the procedures adopted by Bank's management in the merger process which, in our opinion, are in agreement with regulation in place.

Rio de Janeiro, August 16, 2010

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ



Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Balance sheets
June 30, 2010 and 2009
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Assets				
Current assets	**29,995,261**	9,829,865	**26,159,882**	8,424,583
Cash and cash equivalents	**17,595**	8,794	**5,836**	7,223
Short-term interbank investments	**11,293,212**	3,490,225	**11,238,751**	2,798,953
Open market investments	**11,239,096**	2,630,006	**11,201,565**	2,613,208
Interbank deposits	**54,116**	860,219	**37,186**	185,745
Marketable securities and derivative financial instruments	**13,032,230**	3,743,453	**8,796,375**	3,345,540
Own portfolio	**6,414,401**	1,520,247	**4,352,747**	1,354,843
Subject to repurchase agreements	**2,697,610**	535,454	**2,685,834**	436,673
Derivative financial instruments	**3,525,279**	967,319	**1,444,240**	875,623
Subject to guarantees	**394,940**	720,433	**313,554**	678,401
Interbank transactions	**51,580**	24,138	**51,580**	24,138
Unsettled payments and receipts	**1,497**	41	**1,497**	41
Restricted deposits				
Central Bank of Brazil	**49,812**	23,893	**49,812**	23,893
SFH - Brazilian Housing System	**-**	82	**-**	82
Correspondents	**271**	122	**271**	122
Credit operations	**893,805**	591,301	**890,570**	570,946
Credit operations – private sector	**925,634**	663,487	**917,834**	643,132
Allowance for credit losses	**(31,829)**	(72,186)	**(27,264)**	(72,186)
Other receivables	**4,701,513**	1,971,284	**5,172,753**	1,677,142
Foreign exchange portfolio	**2,737,168**	1,031,254	**4,232,799**	1,031,254
Income receivable	**59,791**	99,907	**31,919**	136,841
Securities trading and brokerage	**1,307,847**	447,458	**333,005**	141,462
Sundry	**598,502**	393,952	**576,825**	368,872
Allowance for losses on other receivables	**(1,795)**	(1,287)	**(1,795)**	(1,287)
Other assets	**5,326**	670	**4,017**	641
Other assets	**181**	196	**181**	196
Prepaid expenses	**5,145**	474	**3,836**	445
Long-term assets	**2,590,814**	2,244,857	**2,479,313**	2,091,239
Marketable securities and derivative financial instruments	**114,809**	29,607	**108,453**	22,599
Derivative financial instruments	**114,809**	29,607	**108,453**	22,599
Interbank transactions	**19,293**	15,334	**19,293**	15,334
Restricted deposits				
SFH - Brazilian Housing System	**19,293**	15,334	**19,293**	15,334
Credit operations	**1,115,154**	437,639	**1,075,421**	430,200
Credit operations– private sector	**1,154,626**	476,294	**1,114,605**	468,855
Allowance for creditlosses	**(39,472)**	(38,655)	**(39,184)**	(38,655)
Other receivables	**1,341,558**	1,762,277	**1,276,146**	1,623,106
Receivables for guarantees honored	**-**	1,244	**-**	1,244
Foreign exchange portfolio	**123,061**	16,214	**123,061**	16,214
Income receivable	**-**	65	**-**	65
Securities trading and brokerage	**69**	93	**69**	61
Sundry	**1,270,268**	1,893,114	**1,204,856**	1,682,870
Allowance for losses on other receivables	**(51,840)**	(148,453)	**(51,840)**	(77,348)
Permanent assets	**55,918**	55,276	**1,005,132**	1,562,133
Investments	**4,658**	4,045	**957,235**	1,511,355
Subsidiary companies – in Brazil	**-**	-	**442,706**	1,056,591
Subsidiary companies – abroad	**-**	-	**511,523**	452,524
Other investments	**7,645**	7,032	**5,873**	5,107
Allowance for losses	**(2,987)**	(2,987)	**(2,867)**	(2,867)
Property and equipment in use	**28,427**	29,185	**25,328**	28,829
Other property and equipment in use	**52,078**	44,992	**47,587**	44,138
Accumulated depreciation	**(23,651)**	(15,807)	**(22,259)**	(15,309)
Deferred charges	**17,200**	22,046	**17,103**	21,949
Organization and expansion costs	**28,800**	30,170	**28,703**	30,073
Accumulated amortization	**(11,600)**	(8,124)	**(11,600)**	(8,124)
Intangible assets	**5,633**	-	**5,466**	-
Other intangible assets	**6,476**	-	**6,239**	-
Accumulated amortization	**(843)**	-	**(773)**	-
Total assets	**32,641,993**	12,129,998	**29,644,327**	12,077,955

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Balance sheets
June 30, 2010 and 2009
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2010	2009	2010	2009
Liabilities and shareholders' equity				
Current liabilities	**27,454,882**	6,549,428	**24,501,193**	6,825,713
Deposits	**6,502,079**	2,002,219	**4,897,032**	2,841,034
Demand deposits	**1,314,787**	196,908	**120,998**	85,608
Interbank deposits - related parties	**-**	-	**267,496**	951,496
Interbank deposits	**311,747**	646,320	**311,747**	646,320
Time deposits	**4,864,107**	1,152,160	**4,185,325**	1,150,779
Other deposits	**11,438**	6,831	**11,466**	6,831
Open market funding	**11,827,716**	1,596,639	**11,815,896**	1,523,862
Own portfolio	**2,680,050**	506,658	**2,671,016**	433,881
Third-party portfolio	**6,427,154**	921,148	**6,424,368**	921,148
Freely-traded portfolio	**2,720,512**	168,833	**2,720,512**	168,833
Funds from securities issued and accepted	**887,546**	23,694	**887,095**	23,694
Real estate bonds	**887,095**	23,694	**887,095**	23,694
Liabilities for foreign securities	**451**	-	-	-
Interbank transactions	**6,467**	5,547	**6,467**	5,547
Unsettled receipts and payments	**6,467**	5,547	**6,467**	5,547
Borrowings	**223,990**	137,117	**272,386**	137,117
Foreign borrowings	**223,990**	137,117	**272,386**	137,117
Local onlending – official institutions	**334**	1,667	**334**	1,667
FINAME - Special Agency for Industrial Financing	**334**	1,667	**334**	1,667
Derivative financial instruments	**3,615,223**	782,193	**1,557,743**	700,383
Derivative financial instruments	**3,615,223**	782,193	**1,557,743**	700,383
Other liabilities	**4,391,527**	2,000,352	**5,064,240**	1,592,409
Collection of taxes and mandatory contributions	**3,745**	2,949	**3,261**	2,630
Foreign exchange portfolio	**2,679,331**	1,031,252	**4,167,070**	1,031,252
Social and statutory	**103,407**	30,598	**74,926**	18,649
Tax and social security	**375,853**	290,884	**323,163**	241,115
Securities trading and brokerage	**1,169,402**	613,706	**464,603**	279,586
Sundry	**59,789**	30,963	**31,217**	19,177
Non current liabilities	**1,741,930**	1,600,789	**1,697,953**	1,272,461
Deposits	**1,244,553**	620,711	**1,244,553**	620,711
Time deposits	**1,244,553**	620,711	**1,244,553**	620,711
Funds from securities issued and accepted	**22,089**	-	**22,089**	-
Real estate bonds	**22,089**	-	**22,089**	-
Local onlending – official institutions	-	316	-	316
FINAME - Special Agency for Industrial Financing	-	316	-	316
Derivative financial instruments	**185,475**	132,101	**168,275**	67,981
Derivative financial instruments	**185,475**	132,101	**168,275**	67,981
Other liabilities	**289,813**	847,661	**263,036**	583,453
Foreign exchange portfolio	**124,348**	16,260	**124,348**	16,260
Social and statutory	**20,963**	414,187	**15,225**	230,669
Tax and social security	**115,726**	396,328	**96,691**	317,440
Securities trading and brokerage	**3,069**	-	**3,069**	-
Sundry	**25,707**	20,886	**23,703**	19,084
Deferred income	**10,469**	1,424	**10,469**	1,424
Shareholders' equity	**3,434,712**	3,978,357	**3,434,712**	3,978,357
Capital – local residents	**562,086**	195,617	**562,086**	195,617
Capital - foreign residents	**-**	359,390	**-**	359,390
Capital reserves	**-**	7,079	**-**	7,079
Income reserves	**832,464**	877,272	**832,464**	877,272
Retained earnings	**2,040,162**	2,538,999	**2,040,162**	2,538,999
Total liabilities and shareholders' equity	**32,641,993**	12,129,998	**29,644,327**	12,077,955

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of income
Six-month periods ended June 30, 2010 and 2009
(In thousands of reais, except per share information)

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Financial income	**1,180,388**	908,899	**1,108,990**	909,531
Credit operations	**121,024**	109,336	**119,747**	107,904
Marketable securities	**884,655**	688,432	**844,158**	692,749
Derivatives financial instruments	**162,047**	812	**139,764**	91
Foreign Exchange	**12,662**	110,319	**5,321**	108,607
Financial expenses	**(806,981)**	(749,585)	**(808,148)**	(700,548)
Funding operations	**(898,733)**	(525,191)	**(900,051)**	(551,318)
Borrowings and onlending	**93,432**	(10,626)	**93,261**	(6,515)
Allowance for losses on credit operations and other receivables	**(1,680)**	(213,768)	**(1,358)**	(142,715)
Gross financial income	**373,407**	159,314	**300,842**	208,803
Other operating income (expenses)	**131,636**	123,217	**137,708**	12,254
Income from services rendered	**351,914**	219,971	**195,789**	88,398
Personnel expenses	**(113,460)**	(100,716)	**(88,769)**	(75,406)
Other administrative expenses	**(93,709)**	(64,926)	**(83,090)**	(57,275)
Tax charges, other than income taxes	**(69,097)**	(41,624)	**(56,611)**	(28,885)
Equity pickup from subsidiaries	**-**	-	**113,374**	23,530
Other operating income	**60,861**	120,450	**57,600**	66,066
Other operating expenses	**(4,873)**	(9,938)	**(585)**	(4,174)
Operating income	**505,043**	282,531	**438,550**	221,057
Non-operating income	**872**	6,656	**142**	2,223
Income before taxes and profit sharing	**505,915**	289,187	**438,692**	223,280
Income and social contribution taxes	**(66,583)**	(121,072)	**(28,137)**	(79,540)
Provision for income tax	**(32,558)**	(122,196)	**41**	(86,176)
Provision for social contribution tax	**(19,053)**	(71,974)	**21**	(51,755)
Deferred tax assets	**(14,972)**	73,098	**(28,199)**	58,391
Employees' statutory profit sharing	**(103,059)**	(54,973)	**(74,282)**	(30,598)
Net income for the six-month period	**336,273**	113,142	**336,273**	113,142
Number of outstanding shares at the end of six month period			**1,253,583,889**	1,253,583,889
Net income per share - R$			**0.27**	0.09

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of changes in shareholders' equity – Parent company
Six-month periods ended June 30, 2010 and 2009
(In thousands of reais, except dividends per share)

	Capital	Capital Increase	Capital Reserves	Income reserves			Total	Retained earnings	Total
				Legal	Unrealized income	Statutory			
Balances at December 31, 2009	**555,007**	**-**	**7,079**	**111,002**	**276,041**	**444,005**	**831,048**	**1,851,366**	**3,244,500**
Dividends distributed (R$ 0.12 per share)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(146,061)**	**(146,061)**
Capital Increase	**-**	**7,079**	**(7,079)**	**-**	**-**	**-**	**-**	**-**	**-**
Net income for the six-month period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**336,273**	**336,273**
Appropriation of net income									
Reserves constitution	**-**	**-**	**-**	**1,416**	**-**	**-**	**1,416**	**(1,416)**	**-**
Balances at June 30, 2010	**555,007**	**7,079**	**-**	**112,418**	**276,041**	**444,005**	**832,464**	**2,040,162**	**3,434,712**
Balances at December 31, 2008	555,007	-	7,079	111,002	322,265	444,005	877,272	2,425,857	3,865,215
Net income for the six-month period	-	-	-	-	-	-	-	113,142	113,142
Balances at June 30, 2009	555,007	-	7,079	111,002	322,265	444,005	877,272	2,538,999	3,978,357

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of cash flows
Six-month periods ended June 30, 2010 and 2009

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Operating activities				
Net income for the six-month period	**336,273**	113,142	**336,273**	113,142
Adjusted net income	**6,522**	5,497	**(107,338)**	(18,112)
Equity pickup from subsidiaries	**-**	-	**(113,374)**	(23,530)
Depreciation and amortization	**6,522**	5,497	**6,036**	5,418
Adjusted net income for the six-month period	**342,795**	118,639	**228,935**	95,030
(Increase)/decrease in short-term interbank investments	**225,152**	(132,926)	**191,472**	(116,132)
(Increase)/decrease in marketable securities and derivative instruments	**(4,616,647)**	963,873	**(3,936,234)**	505,651
(Increase)/decrease in credit operations	**(637,754)**	566,359	**(604,945)**	584,073
(Increase)/decrease in other receivables and other assets	**(2,455,823)**	5,713,565	**(3,727,238)**	5,917,896
(Increase)/decrease in interbank transactions	**(38,770)**	56,242	**(38,770)**	56,242
(Decrease)/increase in other liabilities	**1,921,843**	(5,660,570)	**3,300,174**	(5,864,560)
(Decrease)/increase in deferred income	**2,073**	(553)	**2,073**	(553)
Cash generated from/(used in) operating activities	**(5,257,131)**	1,624,629	**(4,584,533)**	1,177,647
Investing activities				
Sale of investments	**-**	2,064	**-**	813
Sale of property and equipment in use	**1,044**	1,277	**422**	1,277
Acquisition of investments	**(416)**	(720)	**(416)**	(720)
Acquisition of property and equipment in use	**(3,192)**	(1,477)	**(3,126)**	(1,477)
Investment in deferred charges	**190**	(1,369)	**-**	(1,369)
Acquisition of intangible assets	**(3,657)**	-	**(3,466)**	-
Cash generated from/(used in) investing activities	**(6,031)**	(225)	**(6,586)**	(1,476)
Financing activities				
Increase/(decrease) in deposits	**2,223,917**	(397,872)	**1,764,325**	(226,166)
Increase/(decrease) in open market funding	**2,771,100**	(388,333)	**2,913,353**	(255,515)
Increase/(decrease) in borrowings and onlending	**163,053**	(572,840)	**264,741**	(570,398)
Increase/(decrease) in funds from securities issued and accepted	**579,425**	(106,275)	**578,974**	2,961
Dividends distributed	**(146,061)**	-	**(146,061)**	-
Cash generated from/(used in) financing activities	**5,591,434**	(1,465,320)	**5,375,332**	(1,049,118)
Increase/(decrease) in cash and cash equivalents	**328,272**	159,084	**784,213**	127,053
Cash and cash equivalents				
At beginning of the period	**8,329,488**	3,001,160	**7,773,647**	2,357,146
At end of the period	**8,657,760**	3,160,244	**8,557,860**	2,484,199
Increase/(decrease) in cash and cash equivalents	**328,272**	159,084	**784,213**	127,053

See accompanying notes.

1. Operations

Banco BTG Pactual S.A. (the Bank) is a multiple bank duly authorized to operate jointly with its subsidiaries in offering financial products and services related to commercial banking activities, including foreign exchange, investments, loans, financing, leasing and mortgage financing arrangements.

Transactions are conducted as part of a group of institutions, which participate jointly in the financial market, and certain transactions are carried out with the intermediation of other member entities of the BTG Group.

In April 2009, the shareholders entered into an agreement for sale of 100% of the Banco UBS Pactual S.A. shares to BTG Investments, LP, which was approved by the Central Bank of Brazil (BACEN) on September 16, 2009. With approval of the transfer of corporate control, the Bank changed its name from Banco UBS Pactual S.A. to Banco BTG Pactual S.A., approved by BACEN on December 29, 2009.

Continuing steps of corporate restructuring for simplify the corporate structure of the bank and consequently reducing the in financial and operational costs, in April 26, 2010 the bank mergered its parent BTG Pactual Investimentos SA by book value of its property in March 31, 2010, and the operation did not result in increased social capital, however, the goodwill on acquisition of the bank generated a tax credit of R$ 84,277, recognized in the books in the act of incorporation. The merger is currently pending approval by the BACEN.

2. Presentation of financial statements

The financial statements of the Bank and its subsidiaries were prepared in accordance with the accounting practices adopted in Brazil in association with the standards and instructions issued by BACEN, and are presented in conformity with the Chart of Accounts for Institutions of the National Financial System - COSIF.

2. Presentation of financial statements

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires that management use appropriate judgment to determine and record accounting estimates. The assets and liabilities subject to these estimates and assumptions basically refer to the deferred income tax asset and liability, allowance for losses on loan and other receivables, provision for the suspended collection of taxes and contributions, and provision for contingent liabilities. Actual results may significantly differ from these estimates due to the underlying inaccuracy of the determination process. The Bank and its subsidiaries review these estimates and assumptions on a regular basis.

3. Consolidated financial statements

Consolidated financial statements were prepared in accordance with consolidation criteria established by BACEN. Therefore, intercompany shareholdings, assets and liabilities and income and expenses were eliminated upon consolidation.

These consolidated financial statements include the stand-alone financial statements of Banco BTG Pactual S.A. and those of its direct and indirect subsidiaries, as follows:

	Share in total capital - %	
	2010	**2009**
Direct subsidiaries		
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
BTG Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99
BTG Pactual Corporate Services Ltda.	**99.40**	99.40
BTG Pactual Securitizadora S.A.	**99.99**	99.99
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96
BTG Pactual Banking Limited	**100.00**	100.00
Indirect subsidiaries		
BTG Pactual Gestora de Investimentos Alternativos Ltda.	**99.98**	99.98
BTG Pactual WM Gestão de Recursos Ltda.	**99.99**	99.99
BTG Pactual Overseas Corporation	**100.00**	100.00
BTG Pactual Gestora de Recursos Ltda.	**99.99**	-

3. Consolidated financial statements --Continued

The financial statements of foreign subsidiaries, originally prepared in U.S. dollars, were translated into Brazilian reais at the commercial U.S. dollar exchange rate in force at the balance sheet dates.

In consolidated financial statements the effects of exchange gains/losses on investments abroad are recorded in lines comprising the statement of income, considering the nature of respective asset or liability accounts.

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are as follows:

a) Operating results are determined on the accrual basis of accounting.

b) Current and long-term assets are stated at their realizable values, including, when applicable, accrued interest and monetary (on a daily pro rata basis) and exchange variation, less the related unrealized income and/or allowance for losses.

c) Marketable securities are valued and classified in accordance with criteria established by BACEN's Circular No. 3068/01, into the following categories: I - trading; II - available for sale; and III - held to maturity. Marketable securities classified under category I are adjusted to market value, with the related adjustments having a corresponding entry in the statement of income; marketable securities classified under category II are recorded at acquisition cost plus accrued interest, which is recorded in the statement of income and adjusted to market value, with the related adjustments having a corresponding entry in a specific shareholders' equity account, net of tax effects; marketable securities classified into category III are valued at acquisition cost plus accrued interest and recorded in the statement of income.

d) Financial instrument-based transactions carried out on the Bank's own behalf or which do not comply with hedging criteria (mainly derivatives used to manage global risk exposure) are stated at market value, with the related gains and losses, whether realized or not, being recorded directly in the statement of income.

.

4. Significant accounting practices --Continued

Derivative financial instruments intended as a hedge against risk exposures or to change the characteristics of financial assets and liabilities, and which (i) closely relate to the hedged item with regard to changes in its market value throughout the contract term; and, (ii) are considered to effectively hedge against the associated risk exposure, are classified as market risk hedge, with the financial assets and liabilities, as well as the related financial instruments, being recorded at market value, and gains and losses, whether realized or not, are directly posted or charged to the statement of income, as applicable.

e) The fair value of marketable securities, derivatives and other rights and liabilities, as applicable, is calculated considering market quotes, pricing models, or the price of other similar financial instruments. Thus, actual results may differ from the estimates on the financial settlement of the operations.

f) The daily adjustments of futures operations are recorded as income or expenses as effectively earned or incurred. The premiums paid or received in connection with transactions involving stock options, other financial assets and commodities are recorded in related asset and liability accounts at the amounts paid or received, adjusted to market prices with a matching entry in the statement of income. The nominal value of purchase and sale agreements for stock and other financial assets and commodities traded in futures and options markets is recorded in memorandum accounts.

g) Forward transactions involving financial assets and commodities are recorded at the ending value of relevant contract, net of the difference between that value and the price of the asset or right, in proper asset or liability account. Income and expenses are recognized over the contract term.

h) Assets and liabilities resulting from swap and NDF transactions are recorded in the balance sheet at book value, with the adjustments to market value being matched in the statement of income, and no amounts receivable and payable being offset. The notional amount of contracts is recorded in memorandum accounts.

i) The allowance for losses on loans and other receivables is estimated based on an analysis of operations and specific risks of each portfolio, pursuant to criteria established by National Monetary Council (CMN) Resolution No. 2682/99.

4. Significant accounting practices --Continued

j) Investments in subsidiaries are accounted for under the equity method. Stock exchange seats are recorded at acquisition cost and restated considering amounts informed by related institutions, with the resulting adjustments being recorded as capital reserves under shareholders' equity. Securities held under custody in CETIP – Custody and Settlement (CETIP) were restated through demutualization date. Other permanent investments are valued at acquisition cost, less allowance for losses, as applicable.

k) Property and equipment in use are stated at acquisition cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Deferred charges mainly comprise leasehold improvements. Amortization is calculated on the straight-line basis considering the estimated period of use and/or lease.

l) Impairment of assets is recognized as loss in the income statement for the period whenever there is clear evidence of reduction in their recoverable value. This procedure is carried out at least every year end.

m) 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.

n) The provision for income and social contribution taxes is established based on accounting profit adjusted by additions and exclusions defined in tax legislation. Deferred income and social contribution taxes are calculated on temporary differences where the realization of such amounts is considered to be probable. Income tax is calculated at 15% plus a 10% surcharge on annual taxable profit in excess of R$ 240 and Social contribution tax is calculated at 15%.

4. Significant accounting practices --Continued

o) Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed pursuant to the following criteria:

- Contingent assets - Contingent assets are not recognized in financial statements, unless there is evidence ensuring their realization and they are based on unappealable decisions.
- Contingent liabilities - These are recognized in financial statements when, based on the opinion of legal advisors and management, the risk of loss on a judicial or administrative proceeding is considered probable, and when amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the explanatory notes, while those classified as remote losses do not require the recording of provisions or disclosure.
- Legal liabilities - tax and social security - These refer to legal disputes challenging the legal and constitutional nature of some taxes and mandatory contributions. The amount under dispute is measured and accounted for.

p) Pursuant to CMN Resolution No. 3604/08, the cash flow statement account “Cash and cash equivalents” includes cash on hand and bank deposits, together with short-term highly liquid investments that are subject to insignificant risk of changes in value and maturity of 90 days or less.

q) Earnings per share are calculated based on the number of outstanding shares at the balance sheet dates.

5. Cash and cash equivalents

The balance of this account refers basically to deposits with first-tier banks abroad.

6. Short-term interbank investments

For purposes of disclosure in the statement of cash flows, short-term interbank investments maturing in 90 days or less are deemed as cash and cash equivalents.

a) Open market investments

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
i. By position/security type				
Own portfolio				
National Treasury Bills	**538,406**	926,843	**538,406**	926,843
National Treasury Notes	**1,520,663**	603,261	**1,520,663**	603,261
Corporate bonds	**37,531**	16,798	**-**	-
	2,096,600	1,546,902	**2,059,069**	1,530,104
Third-party portfólio				
Financial Treasury Bills	**2,683,799**	300,507	**2,683,799**	300,507
National Treasury Bills	**676,924**	413,156	**676,924**	413,156
National Treasury Notes	**3,074,587**	207,422	**3,074,587**	207,422
	6,435,310	921,085	**6,435,310**	921,085
Short position				
National Treasury Bills	**517,020**	-	**517,020**	-
National Treasury Notes	**2,190,166**	162,019	**2,190,166**	162,019
	2,707,186	162,019	**2,707,186**	162,019
	11,239,096	2,630,006	**11,201,565**	2,613,208
ii. By maturity				
Up to 90 days	**8,589,555**	2,291,231	**8,552,024**	2,291,231
Over 90 days	**2,649,541**	338,775	**2,649,541**	321,977
	11,239,096	2,630,006	**11,201,565**	2,613,208

b) Interbank deposits

The balance of this account refers to highly liquid short-term interbank investments with first-tier banks.

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
i. By security				
Interbank deposits – CDI	**30,511**	70,377	**30,511**	70,377
Investments in foreign currency - Overnight	**23,605**	789,842	**6,675**	115,368
	54,116	860,219	**37,186**	185,745
ii. By maturity				
Up to 90 days	**50,609**	860,219	**33,679**	185,745
Over 90 days	**3,507**	-	**3,507**	-
	54,116	860,219	**37,186**	185,745

7. Marketable securities and derivative financial instruments

a) Marketable securities

Securities comprising the Bank's and its subsidiaries' own portfolio are classified as trading securities as follows:

	Consolidated			
	2010		2009	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**346,526**	**346,540**	1,174	1,174
National Treasury Bills	**154,827**	**154,731**	232,991	233,010
National Treasury Notes	**569,812**	**573,392**	179,905	180,074
Bank Deposit Certificates	**77,806**	**77,776**	292,252	292,529
Debentures	**1,171,295**	**1,165,523**	14,038	13,821
Bank Credit Certificate	**93,817**	**93,817**	104,012	103,736
Real Estate Bond	**1,098**	**1,098**	1,809	1,809
Investment fund shares	**2,496,686**	**2,496,686**	397,891	397,891
Stock	**878,330**	**858,109**	192,746	155,372
Securities issued to cover court-ordered debts	**28,856**	**579**	28,277	-
Securitized credits	**-**	**-**	3,676	4,042
Real Estate Receivables Certificate	**268,278**	**268,278**	-	-
Corporate bonds **(i)**	**313,498**	**377,872**	105,578	113,194
T-Bill	**-**	**-**	23,560	23,595
	6,400,829	**6,414,401**	1,577,909	1,520,247
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**71,718**	**71,717**	44,200	44,200
National Treasury Bills	**872,529**	**874,360**	347,416	347,553
National Treasury Notes	**1,730,424**	**1,739,757**	44,666	44,920
Corporate bonds **(i)**	**11,737**	**11,776**	95,950	98,781
	2,686,408	**2,697,610**	532,232	535,454
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**57,769**	**57,769**	-	-
National Treasury Bills	**-**	**-**	393,338	393,551
National Treasury Notes	**64,499**	**64,143**	242,130	243,042
Stock	**252,685**	**248,505**	59,681	64,126
Bank Deposit Certificates	**24,503**	**24,523**	19,661	19,174
	399,456	**394,940**	714,810	720,433

(i) These refer to securities of Brazilian companies issued abroad, which are part of the portfolio of subsidiary BTG Pactual Banking Limited.

7. Marketable securities and derivative financial instruments -- Continued

a) Marketable securities--Continued

	Banco BTG Pactual S.A.			
	2010		2009	
	Cost	Market	Cost	Market
Own portfolio				
Federal government securities				
Financial Treasury Bills	**346,526**	**346,540**	1,174	1,174
National Treasury Bills	**154,827**	**154,731**	232,991	233,010
National Treasury Notes	**547,478**	**551,313**	176,879	177,096
Bank Deposit Certificates	**77,806**	**77,776**	292,252	292,529
Debentures	**1,171,295**	**1,165,523**	14,038	13,821
Bank Credit Certificate	**93,817**	**93,817**	104,012	103,736
Real Estate Bond	**1,098**	**1,098**	1,809	1,809
Investment fund shares	**1,595,528**	**1,595,528**	397,366	397,366
Stock	**89,079**	**97,564**	166,877	130,260
Securities issued to cover court-ordered debts	**28,856**	**579**	28,277	-
Securitized credits	-	-	3,676	4,042
Real Estate Receivables Certificate	**268,278**	**268,278**	-	-
	4,374,588	**4,352,747**	1,419,351	1,354,843
Subject to repurchase agreements				
Federal government securities				
Financial Treasury Bills	**71,718**	**71,717**	44,200	44,200
National Treasury Bills	**872,529**	**874,360**	347,416	347,553
National Treasury Notes	**1,730,424**	**1,739,757**	44,666	44,920
	2,674,671	**2,685,834**	436,282	436,673
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**15,034**	**15,034**	-	-
National Treasury Bills	**-**	**-**	393,338	393,551
National Treasury Notes	**25,387**	**25,492**	201,191	202,751
Stock	**252,685**	**248,505**	57,971	62,385
Bank Deposit Certificates	**24,503**	**24,523**	19,661	19,714
	317,609	**313,554**	672,161	678,401

7. Marketable securities and derivative financial instruments -- Continued

b) Derivative financial instruments

	Consolidated			
	2010			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**48,949**	**82,129**	**152,972**	**167,008**
Forward transactions – receivables and payables	**3,388,825**	**3,388,825**	**3,381,555**	**3,381,541**
Option premiums	**183,247**	**151,754**	**240,160**	**178,651**
Non Deliverable Forward (NDF)	**8,320**	**17,380**	**71,500**	**73,498**
	3,629,341	**3,640,088**	**3,846,187**	**3,800,698**
Current amount	**-**	**3,525,279**	**-**	**3,615,223**
Long-term amount	**-**	**114,809**	**-**	**185,475**

	Consolidated			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	65,589	83,413	177,821	207,675
Forward transactions – receivables and payables	519,401	519,401	511,764	511,764
Option premiums	162,686	191,936	231,536	183,716
Non Deliverable Forward (NDF)	199,152	202,176	12,882	11,139
	946,828	996,926	934,003	914,294
Current amount	-	967,319	-	782,193
Long-term amount	-	29,607	-	132,101

7. Marketable securities and derivative financial instruments – Continued

b) Derivative financial instruments--Continued

	Banco BTG Pactual S.A.			
	2010			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**42,613**	**74,900**	**137,956**	**150,978**
Forward transactions – receivables and payables	**1,333,226**	**1,333,226**	**1,333,226**	**1,333,226**
Option premiums	**178,197**	**136,713**	**234,086**	**175,124**
Non Deliverable Forward (NDF)	**8,320**	**7,854**	**71,500**	**66,690**
	1,562,356	**1,552,693**	**1,776,768**	**1,726,018**
Current amount	**-**	**1,444,240**	**-**	**1,557,743**
Long-term amount	**-**	**108,453**	**-**	**168,275**

	Banco BTG Pactual S.A.			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	62,942	75,260	114,416	143,555
Forward transactions – receivables and payables	429,954	429,954	429,954	429,954
Option premiums	162,686	191,936	231,536	183,716
Non Deliverable Forward (NDF)	199,152	201,072	12,882	11,139
	854,734	898,222	788,788	768,364
Current amount		875,623		700,383
Long-term amount		22,599		67,981

8. Credit operations

Loans are classified into risk levels in accordance with criteria established by CMN Resolution No. 2682/99.

This classification considers, among other aspects, a regular review of transactions, default levels, client's background and guarantees obtained, as applicable.

The allowance for loan losses is calculated considering the client's risk level classification, as defined in aforementioned Resolution.

8. **Credit operations**--Continued

Credit operations and other similar financing arrangements are as follows:

a) Credit operations

				Consolidated			
				2010		2009	
Type of credit	Client	Business Activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**3,027**	**-**	9,813	-
	Corporate	Commerce	AA	**6,651**	**-**	14,492	-
	Corporate	Services	AA	**234,588**	**-**	1,397	-
	Individual	-	AA	**31,700**	**-**	39,397	-
	Corporate	Rural	A	**40,281**	**(201)**	-	-
	Corporate	Manufacture	A	**137,349**	**(687)**	23,040	(115)
	Corporate	Commerce	A	**2,712**	**(14)**	-	-
	Corporate	Services	A	**79,271**	**(396)**	66,575	(333)
	Individual	-	A	**325,066**	**(1,625)**	494,147	(2,471)
	Corporate	Manufacture	B	**78,104**	**(781)**	7,158	(72)
	Corporate	Commerce	B	**8,093**	**(81)**	41,831	(418)
	Corporate	Services	B	**235,455**	**(2,354)**	84,020	(840)
	Individual	-	B	**79,159**	**(792)**	1,968	(20)
	Corporate	Manufacture	C	**436**	**(13)**	10,205	(306)
	Corporate	Commerce	C	**20,692**	**(621)**	-	-
	Corporate	Services	C	**63,060**	**(1,892)**	22,263	(668)
	Individual	-	C	**-**	**-**	79,419	(2,383)
	Corporate	Manufacture	D	**4,285**	**(429)**	5,789	(579)
	Corporate	Services	D	**85,948**	**(8,595)**	33,796	(3,380)
	Corporate	Manufacture	E	**13,844**	**(4,153)**	24,189	(7,256)
	Corporate	Services	E	**13,189**	**(3,957)**	-	-
	Corporate	Manufacture	F	**11,699**	**(5,849)**	28,292	(14,145)
	Corporate	Manufacture	G	**-**	**-**	39,620	(27,734)
	Corporate	Services	G	**-**	**-**	48,634	(34,044)
	Corporate	Rural	H	**-**	**-**	4,954	(4,954)
	Corporate	Services	H	**36,515**	**(36,515)**	9,319	(9,319)
				1,511,124	**(68,955)**	1,090,318	(109,037)
Financing	Corporate	Manufacture	AA	**246,989**	**-**	-	-
	Corporate	Services	AA	**205,394**	**-**	-	-
	Corporate	Manufacture	A	**20,292**	**(101)**	-	-
	Corporate	Services	A	**36,159**	**(181)**	-	-
	Corporate	Manufacture	B	**-**	**-**	3,498	(35)
	Corporate	Manufacture	C	**-**	**-**	2,777	(83)
	Individual	-	C	**9,829**	**(295)**	-	-
	Corporate	Manufacture	E	**2,417**	**(725)**	-	-
	Corporate	Manufacture	F	**-**	**-**	3,363	(1,682)
	Individual	-	F	**2,084**	**(1,042)**	-	-
				523,164	**(2,344)**	9,638	(1,800)
Onlending FINAME/BNDES	Corporate	Rural	A	**341**	**(2)**	734	(4)
Securities financing				**45,631**	**-**	39,091	-
				2,080,260	**(71,301)**	1,139,781	(110,841)
Current amount				**925,634**	**(31,829)**	663,487	(72,186)
Long-term amount				**1,154,626**	**(39,472)**	476,294	(38,655)

8. **Credit operations**--Continued

a) Credit operations -- Continued

i. By type of client, business activity and risk level

				Banco BTG Pactual S.A.			
				2010		2009	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**3,027**	**-**	1,568	-
	Corporate	Commerce	AA	**6,651**	**-**	14,492	-
	Corporate	Services	AA	**234,588**	**-**	1,397	-
	Individual	-	AA	**31,700**	**-**	39,397	-
	Corporate	Rural	A	**40,281**	**(201)**	-	-
	Corporate	Manufacture	A	**137,349**	**(687)**	22,040	(115)
	Corporate	Commerce	A	**2,712**	**(14)**	-	-
	Corporate	Services	A	**56,932**	**(284)**	65,575	(333)
	Individual	-	A	**325,066**	**(1,625)**	494,147	(2,471)
	Corporate	Manufacture	B	**73,839**	**(738)**	7,158	(72)
	Corporate	Commerce	B	**8,093**	**(81)**	41,831	(418)
	Corporate	Services	B	**218,770**	**(2,188)**	84,020	(840)
	Individual	-	B	**79,159**	**(792)**	1,968	(20)
	Corporate	Manufacture	C	**436**	**(13)**	10,205	(306)
	Corporate	Commerce	C	**20,692**	**(621)**	-	-
	Corporate	Services	C	**63,060**	**(1,892)**	22,263	(668)
	Individual	-	C	**-**	**-**	79,419	(2,383)
	Corporate	Manufacture	D	**4,285**	**(429)**	5,789	(579)
	Corporate	Services	D	**85,948**	**(8,595)**	33,796	(3,380)
	Corporate	Manufacture	E	**13,844**	**(4,153)**	24,189	(7,256)
	Corporate	Services	E	**13,189**	**(3,957)**	-	-
	Corporate	Manufacture	F	**11,699**	**(5,849)**	28,292	(14,145)
	Corporate	Manufacture	G	**-**	**-**	39,620	(27,734)
	Corporate	Services	G	**-**	**-**	48,634	(34,044)
	Corporate	Rural	H	**-**	**-**	4,954	(4,954)
	Corporate	Services	H	**31,983**	**(31,983)**	9,319	(9,319)
				1,463,303	**(64,102)**	1,082,073	(109,037)
Financing	Corporate	Manufacture	AA	**246,989**	**-**	-	-
	Corporate	Services	AA	**205,394**	**-**	-	-
	Corporate	Manufacture	A	**20,292**	**(101)**	-	-
	Corporate	Services	A	**36,159**	**(181)**	-	-
	Corporate	Manufacture	B	**-**	**-**	3,498	(35)
	Corporate	Manufacture	C	**-**	**-**	2,777	(83)
	Individual	-	C	**9,829**	**(295)**	-	-
	Corporate	Manufacture	E	**2,417**	**(725)**	-	-
	Corporate	Manufacture	F	**-**	**-**	3,363	(1,682)
	Individual	-	F	**2,084**	**(1,042)**	-	-
				523,164	**(2,344)**	9,638	(1,800)
Onlending FINAME/BNDES	Corporate	Rural	A	**341**	**(2)**	734	(4)
Securities financing				**45,631**	**-**	19,542	-
				2,032,439	**(66,448)**	1,111,987	(110,841)
Current amount				**917,834**	**(27,264)**	643,132	(72,186)
Long-term amount				**1,114,605**	**(39,184)**	468,855	(38,655)

8. **Credit operations**--Continued

a) Credit operations--Continued

ii. By maturity

	Consolidated				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2010		
Loans	**5,920**	**330,165**	**422,513**	**752,526**	**1,511,124**
Financing	**2,084**	**41,653**	**77,327**	**402,100**	**523,164**
Onlending FINAME/BNDES	**-**	**341**	**-**	**-**	**341**
Securities financing	**-**	**45,631**	**-**	**-**	**45,631**
	8,004	**417,790**	**499,840**	**1,154,626**	**2,080,260**
			2009		
Loans	40,433	230,698	343,797	475,390	1,090,318
Financing	-	8,109	941	588	9,638
Onlending FINAME/BNDES	-	418	-	316	734
Securities financing	-	39,091	-	-	39,091
	40,433	278,316	344,738	476,294	1,139,781

	Banco BTG Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 Months	Total
			2010		
Loans	**1,389**	**329,023**	**420,386**	**712,505**	**1,463,303**
Financing	**2,084**	**41,653**	**77,327**	**402,100**	**523,164**
Onlending FINAME/BNDES	**-**	**341**	**-**	**-**	**341**
Securities financing	**-**	**45,631**	**-**	**-**	**45,631**
	3,473	**416,648**	**497,713**	**1,114,605**	**2,032,439**
			2009		
Loans	40,433	230,698	343,932	467,951	1,082,073
Financing	-	8,109	-	588	9,638
Onlending FINAME/BNDES	-	418	-	316	734
Securities financing	-	19,542	-	-	19,542
	40,433	258,767	343,932	468,855	1,111,987

8. **Credit operations**--Continued

b) Other receivables – credit-extension-like receivables

i. By type of client, business activity and risk level

				Consolidated and Banco BTG Pactual S.A.			
				2010		2009	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Securities and credits receivable **(i)**	Corporate	Manufacture	AA	**94,183**	**-**	21,164	-
	Corporate	Commerce	AA	**4,664**	**-**	126	-
	Individual	-	AA	**-**	**-**	6,229	
	Corporate	Services	A	**313**	**(2)**	3,450	(17)
	Corporate	Manufacture	B	**3,749**	**(37)**	-	**-**
	Corporate	Commerce	B	**-**	**-**	104	(1)
	Corporate	Services	B	**5,244**	**(52)**	444	(4)
	Corporate	Manufacture	C	**-**	**-**	5,886	(177)
	Corporate	Services	C	**9,637**	**(289)**	39,228	(1,177)
	Corporate	Manufacture	F	**2,298**	**(1,149)**	224	(157)
				120,088	**(1,529)**	76,855	(1,533)
Guarantees	Corporate	Services	F	**-**	**-**	1,244	(622)
Advances for foreign exchange contract	Corporate	Manufacture	A	**50,038**	**(250)**	**-**	**-**
	Corporate	Manufacture	B	**10,995**	**(110)**	**-**	**-**
				61,032	**(360)**	-	**-**
				181,120	**(1,889)**	78,099	(2,155)
Current amount				**179,500**	**(1,795)**	68,282	(1,287)
Long-term amount				**1,620**	**(94)**	9,817	(868)

(i) Refer to the acquisition of credit rights.

ii. By maturity

	Consolidated and Banco BTG Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2010		
Securities and credits receivable	**60**	**117,720**	**688**	**1,620**	**120,088**
Advances for foreign exchange contract	**-**	**-**	**61,032**	**-**	**61,032**
	60	**117,720**	**61,720**	**1,620**	**181,120**
			2009		
Securities and credits receivable	2,130	50,279	15,873	8,573	76,855
Guarantees	-	-	-	1,244	1,244
	2,130	50,279	15,873	9,817	78,099

8. **Credit operations**--Continued

c) Allowance

Changes in allowance for losses on credit operations and other receivables from credit-like operations over the periods were as follows:

	Credit-extension-like receivables			
	Consolidated		Banco BTG Pactual S.A.	
	2010	2009	2010	2009
Opening balances	**(89,487)**	(46,685)	**(85,108)**	(46,685)
Allowance reversal / (set up)	**735**	(72,970)	**1,209**	(72,970)
Credit written off as losses	**15,562**	6,659	**15,562**	6,659
Closing balances	**(73,190)**	(112,996)	**(68,337)**	(112,996)
Breaking down of closing balances				
Allowance for loan losses	**(71,301)**	(110,841)	**(66,448)**	(110,841)
Allowance for losses on other receivables	**(1,889)**	(2,155)	**(1,889)**	(2,155)
	(73,190)	(112,996)	**(68,337)**	(112,996)
Current amount	**(33,624)**	(73,473)	**(29,059)**	(73,473)
Long-term amount	**(39,566)**	(39,523)	**(39,278)**	(39,523)

	Non-credit-extension-like receivables			
	Consolidated		Banco BTG Pactual S.A.	
	2010	2009	2010	2009
Opening balances	**(51,384)**	(16,694)	**(51,384)**	(16,642)
Allowance reversal / (set up)	**(362)**	(140,798)	**(362)**	(69,745)
Credit written off as losses	**-**	9,907	**-**	9,907
Closing balances	**(51,746)**	(147,585)	**(51,746)**	(76,480)
Current amount	**(314)**	-	**(314)**	-
Long-term amount	**(51,432)**	(147,585)	**(51,432)**	(76,480)

Allowances for other credit-extension-like receivables refer to acquisition of credit rights, as stated in item b of this Note, whereas allowances for other non-credit-extension-like receivables basically refer to receivables from securities trading and brokerage, as shown on Note 10(b).

8. **Credit operations**--Continued

d) Renegotiation/recovery of written-off credits

The amount of R$ 17,973 under the Bank's credit portfolio refers to credits renegotiated in the period ended June 30, 2010 (R$ 57,283 in 2009). In 2010, no credits written off as losses were recovered (R$ 176 in 2009).

9. Other credits/other liabilities

a) Foreign exchange portfolio

	Consolidated			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased / saled	**1,324,224**	**1,538,759**	526,184	524,024
Rights on foreign exchange sales	**1,538,773**	**-**	523,338	-
(-) Advances in foreign exchange contracts	**-**	**(61,033)**	-	-
(-) Advances in foreign currency received	**(2,336)**	**-**	(58)	-
(-) Advances in local currency received	**(432)**	**-**	(1,996)	-
Liabilities for foreign exchange purchases	**-**	**1,325,953**	-	523,488
	2,860,229	**2,803,679**	1,047,468	1,047,512
Current amount	**2,737,168**	**2,679,331**	1,031,254	1,031,252
Long-term amount	**123,061**	**124,348**	16,214	16,260

	Banco BTG Pactual S.A.			
	2010		2009	
	Ativo	Passivo	Ativo	Passivo
Unsettled exchange purchased / saled	**2,073,003**	**2,279,645**	526,184	524,024
Rights on foreign exchange sales	**2,285,625**	**-**	523,338	-
(-) Advances in foreign exchange contracts	**-**	**(61,033)**	-	-
(-) Advances in foreign currency received	**(2,336)**	**-**	(58)	-
(-) Advances in local currency received	**(432)**	**-**	(1,996)	-
Liabilities for foreign exchange purchases	**-**	**2,072,806**	-	523,488
	4,355,860	**4,291,418**	1,047,468	1,047,512
Current amount	**4,232,799**	**4,167,070**	1,031,254	1,031,252
Long-term amount	**123,061**	**124,348**	16,214	16,260

Guarantees given in connection with foreign exchange transactions carried out through BM&FBOVESPA S.A - Stock Exchange, Commodities and Future are represented by federal government securities in the amount of R$ 32,274 in the consolidated and in the Bank (R$ 127,161 in the consolidated and in the Bank in 2009).

9. Other credits/other liabilities--Continued

b) Securities trading and brokerage

	Consolidated			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**186,537**	**5,602**	9,319	47,028
Debtors/creditors – pending settlement **(i)**	**1,101,382**	**430,297**	434,246	374,482
Escrow deposits – Margin	**19,890**	**-**	3,893	-
Credits for stock loans	**-**	**162,070**	-	159,393
Other receivables/other payables for securities trading and brokerage **(ii)**	**107**	**574,502**	93	32,803
	1,307,916	**1,172,471**	447,551	613,706
Current amounts	**1,307,847**	**1,169,402**	447,458	613,706
Long-term amounts	**69**	**3,069**	93	-

	Banco BTG Pactual S.A.			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**185,718**	**5,232**	9,319	44,048
Debtors/creditors – pending settlement **(i)**	**127,394**	**291,972**	128,250	97,008
Escrow deposits – Margin	**19,890**	**-**	3,893	-
Credits for stock loans	**-**	**133,810**	-	133,957
Other receivables/other payables for securities trading and brokerage **(ii)**	**72**	**36,658**	61	4,573
	333,074	**467,672**	141,523	279,586
Current amounts	**333,005**	**464,603**	141,462	279,586
Long-term amounts	**69**	**3,069**	61	-

(i) Basically represented by amounts pending settlement within terms established in regulation, relating to transactions involving the purchase and sale of securities and financial asset agreements on BM&FBOVESPA, and abroad through first-tier stockbrokers, on the Bank's behalf or on behalf of third parties.

(ii) In 2010, in assets, represented by swap intermediation transactions, and in liabilities, refers basically to sale of shares, to be settled within the terms established in regulation. In 2009, represented by liabilities for the sale of shares and fixed income securities to be settled within the terms established in regulation.

10. Other credits

a) Income receivable

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Dividends and bonuses	**3,982**	1,148	**15,436**	93,231
Receivables from services rendered	**11,019**	38,539	**9,327**	38,539
Management and performance fees for investment funds and portfolios	**42,189**	59,388	**5,044**	4,715
Commissions on guarantees	**278**	178	**278**	178
Others	**2,323**	719	**1,834**	243
	59,791	99,972	**31,919**	136,906
Current amounts	**59,791**	99,907	**31,919**	136,841
Long-term amounts	**-**	65	**-**	65

b) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Deferred tax assets	**1,129,954**	1,632,466	**1,087,681**	1,498,029
Legal deposits:				
Social security financing tax (COFINS) – suspended collection	**302,206**	217,060	**294,267**	213,310
Social contribution tax (CSL) - suspended collection	**10,620**	10,276	**9,772**	9,443
Social integration program tax (PIS) - suspended collection	**9,307**	8,948	**8,143**	7,785
Income tax (IRPJ) - suspended collection	**8,263**	7,866	**6,497**	6,240
Fine by BACEN	**15,114**	14,540	**15,114**	14,540
Service tax (ISS)	**5,579**	1,234	**3,913**	115
Social security contribution tax (INSS)	**14,032**	10,955	**14,032**	10,955
Others	**1,325**	3,752	**560**	3,802
Recoverable taxes	**89,089**	33,374	**63,612**	25,256
Tax incentive options	**1,317**	1,317	**1,317**	1,317
Credits receivable (i)	**120,088**	76,855	**120,088**	76,855
Receivables from securities trading and brokerage	**123,529**	246,480	**122,531**	175,376
Others	**38,347**	21,943	**34,154**	8,719
	1,868,770	2,287,066	**1,781,681**	2,051,742
Current amount	**598,502**	393,952	**576,825**	368,872
Long-term amount	**1,270,268**	1,893,114	**1,204,856**	1,682,870

(I) Relate to acquisition of credit rights as described in Note 8(b).

11. Investments in subsidiaries - Bank

	Subsidiaries					
	Capital		Shareholders' equity		Net income (loss)	
	2010	2009	2010	2009	2010	2009
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**3,878**	3,474	**99,612**	219,398	**28,781**	53,566
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**168,890**	161,870	**220,736**	536,138	**15,505**	1,183
BTG Pactual Serviços Financeiros S.A. DTVM	**32,062**	31,670	**51,018**	133,557	**7,257**	9,485
BTG Pactual Corretora de Mercadorias Ltda.	**7,020**	2,500	**60,774**	156,738	**4,439**	7,438
BTG Pactual Corporate Services Ltda.	**1**	1	**4,629**	4,345	**117**	160
BTG Pactual Securitizadora S.A.	**100**	100	**99**	100	**(1)**	-
BTG Pactual Agente Comercializador de Energia Ltda.	**5**	5	**86**	100	**(12)**	94
Foreign companies						
BTG Pactual Banking Limited	**307,685**	333,332	**511,540**	452,541	**41,550**	(36,008)

	Parent Company					
	Equity participation		Investment book value		Equity income (loss) (ii)	
	2010	2009	2010	2009	2010	2009
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**99.99**	99.99	**99,612**	219,398	**28,781**	53,566
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99	**220,736**	536,138	**15,505**	1,183
BTG Pactual Serviços Financeiros S.A. DTVM	**99.99**	99.99	**51,018**	133,557	**7,257**	9,485
BTG Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99	**60,774**	156,738	**4,439**	7,438
BTG Pactual Corporate Services Ltda.	**99.40**	99.40	**4,601**	4,320	**117**	160
BTG Pactual Securitizadora S.A.	**99.99**	99.99	**99**	100	**(1)**	-
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96	**86**	100	**(12)**	94
Goodwill on investiment in BTG Pactual Serviços Financeiros S.A. DTVM (i)	**-**	-	**5,778**	6,240	**-**	(462)
			442,706	1,056,591	**56,086**	71,464
Foreign companies						
BTG Pactual Banking Limited	**100.00**	100.00	**511,523**	452,524	**57,288**	(47,934)
			954,229	1,509,115	**113,374**	23,530

(i) Goodwill based on future profits expected, realizable in 10 years.
(ii) Any differences between net income of subsidiaries and the equity adjustment refer to the restatement of stock exchange membership certificate (as for Brazilian subsidiaries) and exchange variations on investments abroad (as for subsidiaries abroad).

12. Open market funding

Open market funding is backed by the following securities:

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Own portfolio				
Financial Treasury Bills	**71,696**	44,168	**71,696**	44,168
National Treasury Bills	**871,845**	345,654	**871,845**	345,654
National Treasury Notes	**1,727,475**	44,059	**1,727,475**	44,059
Corporate bonds	**9,034**	72,777	**-**	-
	2,680,050	506,658	**2,671,016**	433,881
Third-party portfolio				
Financial Treasury Bills	**2,683,539**	300,329	**2,683,539**	300,329
National Treasury Bills	**675,337**	413,152	**675,337**	413,152
National Treasury Notes	**3,065,492**	207,667	**3,065,492**	207,667
Corporate bonds	**2,786**	-	**-**	-
	6,427,154	921,148	**6,424,368**	921,148
Freely-traded portfolio				
Financial Treasury Bills	**-**	168,833	**-**	168,833
National Treasury Notes	**2,720,512**	-	**2,720,512**	-
	11,827,716	1,596,639	**11,815,896**	1,523,862

13. Foreign borrowings

This balance is basically represented by a revolving credit facility amounting to US$ 147,000 thousand (US$ 50,000 thousand in 2009), maturing on December 31, 2010 (July 2, 2009, in 2009).

14. Other liabilities

a) Social and statutory

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Employees' profit sharing	**103,407**	30,598	**74,926**	18,649
Bonuses payable	**20,963**	414,187	**15,225**	230,669
	124,370	444,785	**90,151**	249,318
Current amount	**103,407**	30,598	**74,926**	18,649
Long-term amount	**20,963**	414,187	**15,225**	230,669

14. Other liabilities--*Continued*

b) Tax and social security

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Provision for income taxes (i)	**42,126**	40,449	**1,979**	-
Taxes and contributions payable	**37,957**	172,831	**19,455**	95,816
Deferred income and social contribution taxes (ii)	**46,526**	188,188	**46,507**	188,140
Taxes with suspended collection:				
Social integration program tax (PIS) (iii) (iv)	**32,851**	31,226	**26,986**	26,289
Social security financing tax (COFINS) (iv) (v)	**312,705**	233,415	**307,355**	229,505
Social contribution tax (CSL)(iii) (iv)	**7,445**	13,191	**6,592**	11,879
Income tax (IRPJ) (iv)	**1,506**	1,460	**1,506**	1,460
Others (iv)	**10,463**	6,452	**9,474**	5,466
	491,579	687,212	**419,854**	558,555
Current amount	**375,853**	290,884	**323,163**	241,115
Long-term amount	**115,726**	396,328	**96,691**	317,440

(i) These refer to the provision for income and social contribution taxes, net of prepaid amounts.
(ii) These refer to income and social contribution taxes due on the market appreciation of marketable securities and derivatives and on unrealized gains on derivatives, in compliance with Law No. 11051/04.
(iii) This refers basically to: a) CSL - rates applicable for years 1997/1998 were challenged based on the constitutional principle of equality; and b) PIS - precedence and limited retrospection of constitutional amendments 01/94-10/96 and 17/97 were legally challenged.
(iv) Legal deposits were made in connection with these contingencies, which are recorded as "Other receivables - sundry", in the amount of R$ 295,504 (R$ 220,807 in 2009) - consolidated, and R$ 303,552 (R$ 214,475 in 2009) - Bank.
(v) The constitutionality of article 3, Law No. 9718/98 is under discussion. The Bank and its subsidiaries have an injunction allowing the payment of COFINS on service revenues only.

c) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Provision for accounts payable	**45,976**	29,988	**16,621**	17,901
Provision for contingent liabilities	**25,219**	20,398	**23,704**	19,084
Others (i)	**14,301**	1,463	**14,595**	1,276
	85,496	51,849	**54,920**	38,261
Current amount	**59,789**	30,963	**31,217**	19,177
Long-term amount	**25,707**	20,886	**23,703**	19,084

(i) In 2010, the consolidated and bank amounts, refers mainly to onlending on commission in the placement of securities.

15. Shareholders' equity – Bank

a) Capital

In June 30, 2010 and 2009, the capital, fully subscribed and paid-up capital comprises 1,253,583,889 shares, all registered common shares with no par value.

At the Extraordinary General Meeting held on April 30, 2010, it was decided to increase share capital through capitalization of capital reserves, there was no issuance of new shares. The increase is being approved by the Central Bank of Brazil.

b) Legal reserve

This reserve is established at the rate of 5% of net income, before any other appropriation, and shall not exceed 20% of capital.

c) Statutory reserve

In accordance with the Bank's by-laws, this reserve aims at preserving the Bank's working capital and is to be established at an amount not exceeding total capital.

d) Unrealized income reserve

This reserve was established considering undistributed dividends obtained in investments in foreign subsidiaries.

e) Profit distribution

Shareholders are entitled to annual dividends of at least 25% of net income, adjusted in accordance with article 202 of Law No. 6404/76.

At the management meeting held on March 18, and April 26, 2010, approval was given to payment of dividends in the amount of R$ 133,061 and R$ 13,000 respectively.

f) Retained earnings

The amount of R$ 1,705,305 corresponding to earnings recorded prior to the introduction of CMN Resolution No. 3605/08 will be appropriated by December 31, 2010. The remaining amount of retained earnings of the period will be appropriated by the year end.

16. Derivative financial instruments

The Bank and its subsidiaries actively engage in risk intermediation activities involving derivative financial instruments, providing the necessary hedge for their own needs and for that of their clients, with a view to reducing their exposure to market, currency and interest rate risks. Certain derivative financial instruments may be associated with operations involving marketable securities or rights and obligations. The risks underlying these operations are managed by means of strict control policies, the establishment of strategies, definition of limits, among other monitoring techniques.

The transactions carried out in Brazil are traded, registered or held in custody by BM&FBOVESPA and CETIP S.A. – OTC Clearing House (CETIP S.A.); transactions carried out abroad are traded and registered with first-tier brokers.

Guarantees given are as follows:

	Consolidated		Banco BTG Pactual S,A	
	2010	**2009**	**2010**	**2009**
Federal government securities	**46,903**	509,432	**8,252**	469,141
Stock	**248,505**	64,126	**248,505**	62,385
Guarantees	**110,000**	110,000	**110,000**	110,000
Bank Deposit Certificates	**24,523**	19,714	**24,523**	19,714
	429,931	703,272	**391,280**	661,240

The notional values of transactions involving financial instruments are recorded in memorandum accounts and relevant adjustments/premiums are recorded in balance sheet accounts.

Commitments undertaken as a result of transactions involving derivatives, maturing up to October 1, 2018 (October 1, 2018 in 2009), as shown below, take into consideration the provisions of BACEN Circular No. 3389/08, which determines the exclusion of contracts in foreign currency, gold and other assets subject to foreign exchange exposures maturing on the first workday following the calculation of the foreign exchange exposure.

16. Derivative financial instruments--Continued

a) By index

	Consolidated			
	2010		2009	
	Long Position	Short position	Long Position	Short position
Futures contracts				
Foreign currency	**1,424,062**	**917,570**	966,793	991,488
Interest rate	**9,094,777**	**18,056,343**	9,215,220	824,842
Indexes	**86,016**	**70,242**	31,528	116,375
	10,604,855	**19,044,155**	10,213,541	1,932,705
Swap transactions				
Foreign currency	**880,184**	**2,641,491**	999,751	1,262,470
Interest rate	**3,845,003**	**1,617,961**	1,417,966	939,321
Indexes	**4,395,253**	**4,942,775**	259,089	504,353
	9,120,440	**9,202,227**	2,676,806	2,706,144
Non-deliverable forward - NDF				
Foreign currency	**4,082,498**	**3,142,265**	1,098,827	582,611
Interest rate	**525,651**	**1,522,018**	689,152	1,017,457
	4,608,149	**4,664,283**	1,787,979	1,600,068
Deliverable forward - DF				
Foreign currency	**2,505,438**	**2,505,901**	15,116	13,833
Forward contracts				
Foreign currency	**-**	**-**	73,776	92,437
Interest rate	**-**	**-**	-	263,741
	-	**-**	73,776	356,178
Options contracts				
Financial assets				
Call option	**8,973,551**	**16,046,543**	724,486	438,248
Put option	**8,053,529**	**13,449,661**	1,133,901	563,015
	17,027,080	**29,496,204**	1,858,387	1,001,263
Stock				
Call option	**205,231**	**131,272**	268,150	287,549
Put option	**297,684**	**228,972**	72,583	146,698
	502,915	**360,244**	340,733	434,247
	17,529,995	**29,856,448**	2,199,120	1,435,510

16. Derivative financial instruments --Continued

a) By index--Continued

	Banco BTG Pactual S.A.			
	2010		2009	
	Long position	Short position	Long position	Short position
Futures contracts				
Foreign currency	**1,424,062**	**917,570**	966,793	991,488
Interest rate	**9,046,654**	**18,035,727**	9,215,220	824,842
Indexes	**68,562**	**63,924**	31,528	116,375
	10,539,278	**19,017,221**	10,213,541	1,932,705
Swap transactions				
Foreign currency	**789,303**	**2,550,610**	937,703	1,199,868
Interest rate	**3,435,694**	**1,187,246**	1,417,966	939,321
Indexes	**419,202**	**981,597**	259,089	504,353
	4,644,199	**4,719,453**	2,614,758	2,643,542
Non-deliverable forward - NDF				
Foreign currency	**1,463,877**	**524,867**	1,098,827	582,611
Interest rate	**525,651**	**1,522,018**	689,152	1,017,457
	1,989,528	**2,046,885**	1,787,979	1,600,068
Forward contracts				
Foreign currency	**-**	**-**	73,776	92,437
Interest rate	**-**	**-**	-	263,741
	-	**-**	73,776	356,178
Options contracts				
Financial assets				
Call option	**8,973,551**	**16,046,543**	724,486	438,248
Put option	**8,053,529**	**13,449,661**	1,133,901	563,015
	17,027,080	**29,496,204**	1,858,387	1,001,263
Stock				
Call option	**205,073**	**129,683**	268,150	287,549
Put option	**297,654**	**227,960**	72,583	146,698
	502,727	**357,643**	340,733	434,247
	17,529,807	**29,853,847**	2,199,120	1,435,510

16. Derivative financial instruments--Continued

b) By maturity

	Consolidated				
	2010				2009
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**985,755**	**6,984,752**	**2,634,348**	**10,604,855**	10,213,541
Short position	**17,724,411**	**180,499**	**1,139,245**	**19,044,155**	1,932,705
Swap transactions					
Notional value	**4,985,969**	**881,143**	**2,880,207**	**8,747,319**	2,490,234
Short position	**5,087,785**	**900,997**	**3,131,658**	**9,120,440**	2,676,806
Long position	**5,125,722**	**931,896**	**3,144,609**	**9,202,227**	2,706,144
Non-deliverable forward – NDF					
Notional value	**2,798,429**	**351,219**	**346,530**	**3,496,178**	1,629,187
Short position	**3,878,819**	**381,841**	**347,489**	**4,608,149**	1,787,979
Long position	**3,913,069**	**394,302**	**356,912**	**4,664,283**	1,600,068
Deliverable forward - DF					
Notional value	**1,851,970**	**53,762**	**2,682**	**1,908,414**	27,497
Short position	**2,413,244**	**89,543**	**2,651**	**2,505,438**	15,116
Long position	**2,414,312**	**88,531**	**3,058**	**2,505,901**	13,833
Forward contracts					
Short position	**-**	**-**	**-**	**-**	73,776
Long position	**-**	**-**	**-**	**-**	356,178
Options contracts					
Financial assets					
Long position	**15,829,389**	**1,193,833**	**3,858**	**17,027,080**	1,858,387
Short position	**27,052,031**	**2,444,173**	**-**	**29,496,204**	1,001,263
Stock					
Long position	**454,348**	**48,557**	**10**	**502,915**	340,733
Short position	**349,627**	**10,610**	**7**	**360,244**	434,247

16. Derivative financial instruments—Continued

b) By maturity--Continued

	Banco BTG Pactual S.A.				
	2010				2009
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**920,178**	**6,984,752**	**2,634,348**	**10,539,278**	10,213,541
Short position	**17,697,476**	**180,499**	**1,139,246**	**19,017,221**	1,932,705
Swap transactions					
Notional value	**1,622,841**	**561,189**	**2,159,995**	**4,344,025**	2,427,632
Short position	**1,657,120**	**579,755**	**2,407,324**	**4,644,199**	2,614,758
Long position	**1,696,252**	**612,548**	**2,410,653**	**4,719,453**	2,643,542
Non-deliverable forward – NDF					
Notional value	**1,422,308**	**291,757**	**307,812**	**2,021,877**	1,629,187
Short position	**1,413,038**	**281,085**	**295,405**	**1,989,528**	1,787,979
Long position	**1,448,380**	**294,937**	**303,568**	**2,046,885**	1,600,068
Forward contracts					
Short position	-	-	-	-	73,776
Long position	-	-	-	-	356,178
Options contracts					
Financial assets					
Long position	**15,829,389**	**1,193,833**	**3,858**	**17,027,080**	1,858,387
Short position	**27,052,031**	**2,444,173**	**-**	**29,496,204**	1,001,263
Stock					
Long position	**454,173**	**48,554**	**-**	**502,727**	340,733
Short position	**347,033**	**10,610**	**-**	**357,643**	434,247

17. Risk management

a) Market risk

The various scenarios envisaged for market behavior are properly simulated by means of the Value-at-Risk calculation model and especially via stress tests, 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 the 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.

b) Credit risk

All the counterparties of the Bank and its subsidiaries are subjected 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 Credit Committee regularly establishes and reviews the credit limits for the counterparties of the Bank and its subsidiaries. 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.

c) Liquidity risk

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

17. Risk management—Continued

d) Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an Operating Risk Management Policy applicable to the Bank and to its local and foreign subsidiaries was defined.

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

The Bank and its subsidiaries have a strong tradition in operational risk management, 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 complying with the requirements of regulatory agencies, to rapidly adjusting to changes and to estimate future trends, among which proposals in the New Basel Capital Accord are to be highlighted.

18. Related Parties

The BTG Pactual Group companies invest their cash and cash equivalents mainly in funding products offered by Banco BTG Pactual S.A.
The balance of transactions involving the related parties, which are carried out at arm's length, is reflected in the following accounts:

	2010			
	Relationship	**Maturity**	**Assets/ liabilities**	**Revenue/ (expenses)**
Assets				
Other credits				
Foreign exchange				
BTG Pactual Banking Limited	Subsidiary	16/06/2011	**1,495,632**	**-**
Income receivable				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**13,909**	**12**
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**2**	**12**
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	**2**	**12**
BTG Global Asset Management	Related	No maturity	**1,692**	**-**
Securities trading and brokerage				
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	05/07/2010	**15,557**	
Sundry				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**4,788**	**-**
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**2**	**-**
BTG Pactual Gestora de Recursos Ltda	Subsidiary	No maturity	**9**	**-**
			1,531,593	**36**

	2009			
	Relationship	**Maturity**	**Assets/ liabilities**	**Revenue/ (expenses)**
Assets				
Other credits				
Income receivable				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	2	12
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	16,952	12
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	66,672	-
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	No maturity	8,394	-
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	2	12
BTG Pactual Agente Comercializador de Energia Ltda.	Subsidiary	No maturity	71	-
Securities trading and brokerage				
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	03/07/2009	24,719	-
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	03/07/2009	910	-
Sundry				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	202	-
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	36	-
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	1	-
			117,961	36

18. Related Parties--Continued

	2010			
	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Liabilities				
Deposits				
Demand deposits				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**101**	**-**
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**358**	**-**
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**132**	**-**
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	No maturity	**99**	**-**
BTG Pactual Corporate Service Ltda.	Subsidiary	No maturity	**50**	**-**
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	**99**	**-**
BTG Pactual Agente Comercializador de Energia Ltda.	Subsidiary	No maturity	**32**	**-**
Partners and key personal	-	No maturity	**936**	**-**
Interbank deposits - related parties				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	28/07/2010	**109,740**	**(4,173)**
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	24/06/2011	**46,578**	**(2,153)**
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	05/07/2010	**111,177**	**(5,386)**
Time deposits				
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	17/06/2011	**57,665**	**(2,499)**
BTG Pactual Corporate Service Ltda.	Subsidiary	07/10/2011	**4,436**	**(179)**
BTG Pactual WM Gestão de Recursos Ltda.	Subsidiary	10/06/2011	**3,382**	**(105)**
BTG Pactual Agente Comercializador de Energia Ltda.	Subsidiary	-	**-**	**(1)**
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	23/05/2011	**3,812**	**(59)**
BTG Pactual Gestora de Recursos Ltda.	Subsidiary	25/04/2011	**10,076**	**(392)**
Other deposits				
BTG Pactual Agente Comercializador de Energia Ltda.	Subsidiary	No maturity	**28**	**-**
Borrowings				
Borrowings abroad				
BTG Pactual Banking Limited	Subsidiary	31/12/2010	**264,983**	**(368)**
Other payables				
Foreign exchange				
BTG Pactual Banking Limited	Subsidiary	31/12/2010	**1,487,739**	**-**
Securities trading and brokerage				
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	05/07/2010	**8,842**	**-**
Sundry				
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	No maturity	**251**	**(1,774)**
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**10**	**-**
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	**11**	**-**
			2,110,537	**(17,089)**

18. Related Parties--Continued

	2009			
	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Liabilities				
Deposits				
Demand deposits				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	101	-
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	271	-
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	96	-
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	No maturity	104	-
BTG Pactual Corporate Service Ltda.	Subsidiary	No maturity	28	-
BTG Pactual Securitizadora S.A.	Subsidiary	No maturity	1	-
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	101	-
BTG Pactual Agente Comercializador de Energia Ltda.	Subsidiary	No maturity	50	-
Interbank deposits - related parties				
BTG Pactual Asset Management S.A. DTVM	Subsidiary	21/07/2009	242,182	(12,839)
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	24/06/2010	149,104	(7,844)
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	21/07/2009	560,210	(28,313)
Time deposits				
BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	-	-	(1)
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	24/06/2010	166,523	(8,656)
BTG Pactual Corporate Service Ltda.	Subsidiary	23/04/2010	4,230	(216)
BTG Pactual WM Gestão de Recursos Ltda.	Subsidiary	24/06/2010	1,132	(33)
BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	24/06/2010	101,342	(5,017)
BTG Pactual Agente Comercializadora de Energia Ltda.	Subsidiary	18/06/2010	106	-
Borrowings				
Borrowings abroad				
BTG Pactual Banking Limited	Subsidiary	-	-	(8)
Other payables				
Securities trading and brokerage				
BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	03/07/2009	5,945	-
Sundry				
BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	298	-
			1,231,824	(62,927)

The total compensation paid to key personal in the period was in the amount of R$ 2,586 (R$ 2,798 in 2009) which is considered a short-term benefit.

19. Income from services rendered

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Management fees and performance bonuses for investment funds and portfolio	**179,882**	106,446	**68,714**	27,790
Stock exchange brokerage	**41,446**	51,463	**154**	1,198
Technical advisory services	**83,455**	51,905	**82,624**	50,968
Commission on the placement of securities	**36,724**	7,448	**33,905**	5,697
Other services	**10,407**	2,709	**10,392**	2,745
	351,914	219,971	**195,789**	88,398

20. Other operating income

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Recovery of credits written off as loss	**-**	19	**-**	-
Recovery of charges and expenses	**25**	131	**15**	126
Reversal of provisions – contingencies and others	**41,622**	2,410	**41,432**	2,097
Monetary restatement of judicial deposits	**10,378**	-	**10,042**	-
Other operating income (i)	**8,836**	117,890	**6,111**	63,843
	60,861	120,450	**57,600**	66,066

(i) In 2009, the consolidated and parent company, refers mainly to the reversal of provisions operational, as the main refers to the provision for employee profit sharing for the year 2008.

21. Other operating expenses

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Other operational provisions	**1,071**	297	**-**	297
Restatement of taxes	**853**	2,100	**116**	271
Other services (i)	**2,949**	7,541	**469**	3,606
	4,873	9,938	**585**	4,174

(i) In 2010, in consolidated, basically refers to expenses on administration of investment funds. In 2009, in consolidated and Bank, refer basically to foreign exchange variation relating to offshore portfolio management and update of income and social taxes payables.

22. Non-operating income

The non-operating income refers to gains on the sale of CETIP S.A. shares.

23. Income and social contribution taxes

The reconciliation of income tax (IRPJ) and social contribution tax (CSL) expenses with the figure obtained by applying relevant tax rate on income before taxes is shown below:

	2010		2009	
	IRPJ	**CSL**	**IRPJ**	**CSL**
Income before income tax, social contribution tax and employees' profit or gain sharing – parent company	**438,692**	**438,692**	223,280	223,280
Profit sharing	**(74,282)**	**(74,282)**	(30,598)	(30,598)
Tax base – parent company	**364,410**	**364,410**	192,682	192,682
Tax rate	**25%**	**15%**	25%	15%
Income and social contribution taxes – subsidiaries	**(91,090)**	**(54,661)**	(48,158)	(28,902)
Non-deductible provisions	**(31,575)**	**(18,945)**	1,751	1,051
Net income from subsidiaries abroad	**(10,387)**	**(6,232)**	(8,661)	(5,197)
Results from mark-to-market valuation	**(2,239)**	**(1,343)**	62,181	37,308
Provision for taxes with suspended collection	**(6,383)**	**(3,830)**	(2,195)	(1,316)
Amortization of goodwill	**112,199**	**67,319**	110,382	66,229
Permanent additions/exclusions - net effect (i)	**26,742**	**16,052**	7,008	4,284
Result from unsettled derivatives	**962**	**580**	23,995	14,447
Tax loss carryforwards	**535**	**318**	(146,303)	(87,904)
Current provision – parent bank	**(1,236)**	**(742)**	-	-
Results from mark-to-market valuation	**2,239**	**1,343**	(62,181)	(37,308)
Unrealized gains (losses) on derivatives	**(962)**	**(580)**	(23,995)	(14,447)
Deferred provision – parent company	**1,277**	**763**	(86,176)	(51,755)
Total provision – parent company	**41**	**21**	(86,176)	(51,755)
Tax loss carryforwards	**(535)**	**(318)**	146,303	87,904
Results from mark-to-market valuation	**(1,105)**	**1,414**	-	-
Non-deductible provisions	**34,235**	**20,541**	(1,654)	(1,062)
Provision for taxes with suspended collection	**6,383**	**3,521**	2,195	1,316
Tax credit on goodwill upon Bank's acquisition	**(57,709)**	**(34,626)**	(110,382)	(66,229)
Deferred tax assets – parent company	**(18,731)**	**(9,468)**	36,462	21,929
Income and social contribution taxes – parent company	**(18,690)**	**(9,446)**	(49,714)	(29,826)
Current provision – subsidiaries	**(33,918)**	**(19,599)**	(36,275)	(20,372)
Deferred provision – subsidiaries	**1,116**	**525**	255	153
Deferred tax assets – subsidiaries	**8,503**	**4,926**	8,045	6,662
Income and social contribution taxes – consolidated	**(42,989)**	**(23,594)**	(77,689)	(43,383)

(i) These refer basically to equity income (loss) from subsidiaries.

23. Income and social contribution taxes--Continued

Deferred income and social contribution taxes are established and recorded in accordance with criteria defined by BACEN Circular No. 3059/02, considering relevant realization period.

Deferred tax assets, included in "Other receivables - Sundry" (Note 10(b)), are shown below:

	Consolidated			
	2010		2009	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**111,310**	**-**	179,789	-
Accumulated tax loss carryforward (i)	**-**	**65,265**	-	106,258
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**402,217**	**241,331**	570,309	342,186
Provision for taxes with suspended collection - COFINS (iii)	**66,853**	**21,792**	50,644	12,067
Provision for employees' profit sharing (iv)	**25,134**	**14,941**	7,650	4,456
Provision for bonuses payable (v)	**7,036**	**4,186**	140,105	80,884
Provision for taxes with suspended collection - PIS (vi)	**2,821**	**1,265**	2,642	1,159
Valuation allowance – securities and investments (vi)	**7,069**	**4,242**	7,069	4,242
Goodwill on investment acquisition (vi)	**867**	**-**	751	-
Provision for civil contingencies (vi)	**541**	**325**	613	368
Provision for labor contingencies (vi)	**3,364**	**2,018**	2,344	1,405
Allowance for loan losses (vii)	**78,229**	**46,938**	55,677	33,406
Provision for payables for securities trading and brokerage (viii)	**13,881**	**8,329**	17,776	10,666
Total	**719,322**	**410,632**	1,035,369	597,097

	Banco BTG Pactual S.A.			
	2010		2009	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**111,310**	**-**	179,789	
Accumulated tax loss carryforward (i)	**-**	**65,265**	-	106,258
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**402,217**	**241,331**	570,309	342,186
Provision for taxes with suspended collection - COFINS (iii)	**63,778**	**20,127**	47,845	10,568
Provision for employees' profit sharing (iv)	**18,738**	**11,243**	4,662	2,797
Provision for bonuses payable (v)	**5,213**	**3,128**	78,719	47,231
Provision for taxes with suspended collection - PIS (vi)	**2,062**	**928**	2,062	928
Valuation allowance – securities and investments (vi)	**7,069**	**4,242**	7,069	4,242
Goodwill on investment acquisition (vi)	**867**	**-**	751	-
Provision for civil contingencies (vi)	**541**	**325**	613	368
Provision for labor contingencies (vi)	**2,581**	**1,549**	1,593	956
Allowance for loan losses (vii)	**78,229**	**46,938**	55,677	33,406
Total	**692,605**	**395,076**	949,089	548,940

(i) Realization is expected to occur between 2012 and 2017. In 2010, was realized the amount of R$ 854.
(ii) Tax credits arising from goodwill determined on the acquisition of the bank recognized in connection with the merger of its parent entity in amount of R$ 559,271 which will be amortized until 2012 and R$ 84,277 which will be amortized until 2015. In 2010, the amount of R$ 92,335 was realized.
(iii) In consolidated and bank realization is expected to occur in 2010. In the period was recognized the amount of R$ 10,214.
(iv) In consolidated and bank realization is expected to occur in 2011. In the period was recognized the amount of R$ 29,981.
(v) In consolidated and bank realization is expected to occur in 2012. In the period was recognized the amount of R$ 8,341.
(vi) In consolidated, realization of R$ 274 is expected in 2010, and the remaining balance in 2013. In the Bank, realization is expected to occur in 2013. In 2010, was recognized the amount of R$ 1,468.
(vii) Realization is expected to occur between 2013 and 2017. In 2010 was recognized the amount of R$ 14,986.
(viii) Realization of R$ 11,105 is expected to occur in 2010 and 2011.

23. Income and social contribution taxes--Continued

Considering the expected realization of deferred tax assets, the present value of the credits is estimated to be R$ 770,437 (R$ 1,008,694 in 2009) in the consolidated and R$ 732,292 (R$ 913,606 in 2009) in the Bank.

Deferred tax liabilities were recognized in the amount of R$ 46,526 (R$ 188,188 in 2009) in the consolidated and R$ 46,507 (R$ 188,140 in 2009) in the Bank, as mentioned in Note 14(b).

24. Other Information

a) Deposits

Interbank and time deposits issued at market rates have the following weighted average maturity terms:

	Number of days			
	Consolidated		Banco BTG Pactual S.A.	
	2010	2009	2010	2009
Interbank deposits	**147**	56	**147**	60
Time deposits	**887**	343	**319**	377

b) Commitments and responsibilities

The main commitments and responsibilities of the Bank and its subsidiaries are as follows:

	Consolidated		Banco BTG Pactual S.A.	
	2010	2009	2010	2009
Co-obligation and risks for guarantees given (i)	**366,639**	579,022	**366,639**	579,022
Responsibility for the management of investment funds and portfolio management (ii)	**83,332,321**	70,530,786	**8,871,034**	10,915,787
Securities under custody (iii)	**45,952,586**	31,128,268	**44,927,499**	30,053,096
Securities trading and brokerage (iv)	**532,229,945**	185,098,109	**251,425,915**	92,697,357

(i) This refers basically to guarantees given in connection with stock exchange transactions.
(ii) This considers the total equity value of investment funds and portfolios.
(iii) This reflects third-party positions of private and government securities under custody of SELIC and CETIP S/A, respectively, recorded at their issue prices, in case of variable-rate securities, or the redemption price, in case of fixed-rate securities. This also includes clients' shares under custody of BM&FBOVESPA at the price of R$ 1.00 per share.
(iv) This represents the price of derivative purchase and sale agreements related to third party operations.

25. Contingent assets and liabilities and legal, tax and social security obligations

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

a) Contingent assets

At June 30, 2010 and 2009, the Bank recorded no contingent assets.

b) Contingent liabilities classified as probable loss and legal obligations

- Labor provisions

  These relate to suits filed by former employees, mostly claiming overtime and equal pay. The contingencies are accrued for based on analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

- Civil provisions

  For civil suits with chances of unfavorable outcome (pain and suffering and property damages, among others requesting sentences to condemn), the contingency amounts are accrued for based on the opinion of internal and external legal counsel.

- Tax and social security provisions

  Tax and social security provisions are represented by legal and administrative proceedings of federal, state and local taxes, regarding legal obligations and contingent liabilities. The provisions are set up considering the opinion of the internal and external legal counsel and the court level to which each proceeding was submitted.

25. Contingent assets and liabilities and legal, tax and social security obligations--Continued

c) Breakdown and changes in provisions in the period

The Bank management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to other legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions set up for such proceedings at June 30, 2010 are adequate to cover any losses arising therefrom.

The provisions set up and related changes in the period are presented below:

	Consolidated		Banco BTG Pactual S.A.	
	2010	**2009**	**2010**	**2009**
Balance at beginning of the year	**348,723**	287,643	**335,569**	275,478
Set up	**44,177**	22,947	**42,064**	20,215
Write of	**(2,712)**	(4,448)	**(2,016)**	(2,009)
Balance at end of the period	**390,187**	306,142	**375,617**	293,683

The BTG Pactual financial conglomerate has challenged in court the legal nature of some taxes and mandatory contributions. Relevant tax amounts have been fully provided for, although there are good chances of a favorable outcome, according to the opinion or assessment of the Bank's outside lawyers. The following legal disputes are to be mentioned:

COFINS – Challenge of the legal grounds for the levy of COFINS under rules established by Law No. 9718/98.

PIS – Challenge of the levy of PIS established by Constitutional Amendments No. 10 of 1996 and No. 17 of 1997.

CSL – 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.

No significant contingencies have been assessed as possible losses by outside lawyers.

26. Operating limits

In accordance with the recommendations contained in the New Basel Accord (Basel II), BACEN disclosed the computation methodology for the Reference shareholders' equity and Required reference shareholders' equity as from July 1, 2008 by way of CMN Resolutions Nos. 3444/07 and 3490/07. In addition, the guidelines for determining Credit, Market, and Operating risks were established by BACEN Circulars Nos. 3360/07, 3361/07 to 3.366/07, 3368/07, 3383/08, 3388/08 and 3389/08

The Basel index is calculated based on the consolidated financial statements comprising all subsidiaries.

	2010	2009
Reference shareholders' equity (PR)	**3,374,279**	3,974,787
Shareholders' equity	**3,434,712**	3,978,357
Tax credits excluded from PR tier I	**(3,749)**	(3,570)
Deferred permanent assets	**(12,303)**	-
Deductions from PR	**(44,381)**	-
Required reference shareholders' equity (PRE)	**2,113,856**	1,167,605
Credit risk	**1,218,808**	699,071
Market risk	**613,072**	310,007
Operating risk	**281,976**	158,527
Excess PR: (PR-PRE)	**1,260,423**	2,807,182
Basel index: (PRx100)/PRE/0,11)	**17.56%**	37.45%

The Bank opted for the foundation approach to measure its Operating risk.

26. Operating limits--Continued

The capital expenditures limit - as determined by CMN by way of Resolution No. 2283/96, as amended by Resolution No. 2669/99 and reworded by Resolutions Nos. 2743/00 and 3426/06 – is also calculated on a consolidated basis, comprising all subsidiaries:

	2010	2009
Capital expenditures limit (50%):	**1,686,300**	1,986,496
Reference shareholders' equity	**3,372,600**	3,974,787
Stock exchange membership certificate	**(1,679)**	(1,795)
Capital expenditures limit status:	**1,427,427**	208,853
Permanent assets	**55,918**	55,276
Deferred permanent assets	**(12,303)**	-
Stock exchange membership certificate	**(1,679)**	(1,795)
Intangible assets excluded of capital expenditures limit	**(5,633)**	-
Variable income securities under current assets	**1,391,124**	155,372
Margem	**258,873**	1,777,643

At June 30, 2010 and 2009, all operating limits are duly complied with.