Financial Statements

Banco BTG Pactual S.A. and Subsidiaries

June 30, 2011 and 2010
with Independent Auditor's Report on Financial Statements

BANCO BTG PACTUAL S.A. AND SUBSIDIARIES

Financial statements

June 30, 2011 and 2010

Contents

Independent auditor's report on financial statements 1

Financial statements

Balance sheets 4
Statements of income 6
Statements of changes in equity 7
Statements of cash flows 8
Notes to financial statements 9

Independent auditors' report on financial statements

To the
Board of Directors and Shareholders
Banco BTG Pactual S.A.

We have audited the accompanying individual and consolidated financial statements of Banco BTG Pactual S.A., identified as Banco BTG Pactual S.A. and Consolidated, respectively, which comprise the balance sheet as of June 30, 2011 and the related statements of income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting practices and other notes to financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the Bank's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank´s internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the individual and consolidated financial statements

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. as of June 30, 2011, its individual and consolidated performance of its operations and its individual and consolidated cash flows for the six-month period then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank of Brazil.

Emphasis of a matter

At June 30, 2011, the jointly controlled entity Banco Panamericano S.A., as shown in Note 27 referring to the financial statements, clarified that, due to the accounting of the adjustments on its equity as of November 30, 2010, the regulatory operating limits as of December 31, 2010, were not in compliance with those required by the Central Bank of Brazil. During the first half of 2011, the amount of R$ 1,300 million, and also linked in guarantee of government bonds amounting to R$ 463 million, was allocated in order to meet the minimum regulatory operating limits set out by said regulatory body.

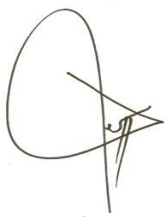
At June 30, 2011, the jointly controlled entity Banco Panamericano S.A. has income and social contribution tax credits amounting to R$ 1,885,763 thousand (respectively R$ 709,801 thousand included in the consolidated financial statements of Banco BTG Pactual S.A.) recognized based on financial estimates and business plan reviewed and approved by its Board of Directors, which include a study on the current structure and future scenarios of assumptions used in said projections. The realization of these tax credits depend on the materialization of these projections and also on the business plan, as approved by bodies of Banco Panamericano S.A.'s management.

Other matters

The consolidated financial statements as of June 30, 2010, presented for comparison purposes, are being restated due to a voluntary change, made by the Company's management, in the consolidation criteria, as shown in Note 3. This information was submitted to the same procedures described in paragraph Auditor's responsibility and, based on the adoption of these procedures, it is properly presented, in all material respects, as for the overall financial statements.

Rio de Janeiro, August 30, 2011

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



Flávio Serpejante Peppe
Partner CRC - 1SP 172.167/O-6 - S - RJ

BANCO BTG PACTUAL S.A.

Balance sheets
June 30, 2011 and 2010
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Assets				
Current assets	**81,414,490**	50,442,729	**47,202,551**	26,159,882
Cash and cash equivalents	**204,496**	17,599	**222,632**	5,836
Short-term interbank investments	**34,204,604**	14,414,761	**19,711,897**	11,238,751
Open market investments	33,638,258	14,360,645	19,315,157	11,201,565
Interbank deposits	566,346	54,116	396,740	37,186
Marketable securities and derivative financial instruments	**32,149,496**	28,007,729	**19,402,538**	8,796,375
Own portfolio	10,662,341	14,060,302	13,403,419	4,352,747
Subject to repurchase agreements	17,723,924	9,437,034	2,890,659	2,685,834
Derivative financial instruments	1,404,745	3,600,530	1,125,786	1,444,240
Subject to guarantees	2,358,486	909,863	1,982,674	313,554
Interdepartmental accounts	**40**	-	-	-
Internal transfer of funds	40	-	-	-
Interbank transactions	**259,392**	51,580	**251,517**	51,580
Payments and receipts to be settled	4,183	1,497	102	1,497
Central Bank of Brazil	251,740	49,812	251,388	49,812
Correspondents	3,469	271	27	271
Loans	**4,124,826**	893,806	**3,457,722**	890,570
Loans - private sector	4,471,705	925,635	3,498,245	917,834
Allowance for loan losses	(346,879)	(31,829)	(40,523)	(27,264)
Lease transactions	**106,246**	-	-	-
Lease transactions receivable	133,734	-	-	-
Allowance for credits on commercial settlement	(27,488)	-	-	-
Other receivables	**10,290,934**	7,051,928	**4,135,644**	5,172,753
Foreign exchange portfolio	2,117,789	2,737,168	2,117,789	4,232,799
Income receivable	235,542	60,376	69,634	31,919
Securities trading and brokerage	6,501,001	3,657,638	1,584,876	333,005
Insurance premium receivable	3,591	-	-	-
Sundry	1,461,282	598,541	365,857	576,825
Allowance for losses on other receivables	(28,271)	(1,795)	(2,512)	(1,795)
Other assets	**74,456**	5,326	**20,601**	4,017
Temporary investments	39,762	181	18,514	181
Prepaid expenses	34,694	5,145	2,087	3,836
Long-term assets	**8,933,852**	2,609,618	**3,525,153**	2,479,313
Marketable securities and derivative financial instruments	**3,514,556**	114,809	**263,044**	108,453
Own portfolio	3,242,503	-	-	-
Derivative financial instruments	272,053	114,809	263,044	108,453
Interbank transactions	**21,515**	19,293	**21,515**	19,293
SFH - Brazilian Housing System	21,515	19,293	21,515	19,293
Loans	**2,995,792**	1,115,154	**1,843,201**	1,075,421
Loans - private sector	3,033,954	1,154,626	1,881,363	1,114,605
Allowance for loan losses	(38,162)	(39,472)	(38,162)	(39,184)
Lease transactions	**199,859**	-	-	-
Lease transactions receivable	199,859	-	-	-
Other receivables	**2,085,393**	1,360,362	**1,351,001**	1,276,146
Foreign exchange portfolio	-	123,061	-	123,061
Securities trading and brokerage	81	69	26	69
Income receivable	2,618	-	2,618	-
Sundry	2,111,526	1,289,072	1,377,189	1,204,856
Allowance for losses on other receivables	(28,832)	(51,840)	(28,832)	(51,840)
Other assets	**116,737**	-	**46,392**	-
Temporary investments	46,392	-	46,392	-
Prepaid expenses	70,345	-	-	-
Permanent assets	**388,941**	55,999	**1,550,418**	1,005,132
Investments	**5,489**	4,658	**1,339,882**	957,235
Subsidiary companies - in Brazil	-	-	1,336,230	442,706
Subsidiary companies – abroad	-	-	-	511,523
Other investments	8,476	7,645	6,519	5,873
Allowance for losses	(2,987)	(2,987)	(2,867)	(2,867)
Property and equipment in use	**196,885**	28,427	**179,495**	25,328
Other property and equipment in use	239,863	52,078	208,286	47,587
Accumulated depreciation	(42,978)	(23,651)	(28,791)	(22,259)
Deferred charges	**13,903**	17,200	**13,818**	17,103
Organization and expansion costs	28,800	28,800	28,703	28,703
Accumulated amortization	(14,897)	(11,600)	(14,885)	(11,600)
Intangible assets	**172,664**	5,714	**17,223**	5,466
Other intangible assets	179,168	6,566	20,291	6,239
Accumulated amortization	(6,504)	(852)	(3,068)	(773)
Total assets	**90,737,283**	**53,108,346**	**52,278,122**	**29,644,327**

See accompanying notes.

BANCO BTG PACTUAL S.A.

Balance sheets
June 30, 2011 and 2010
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Liabilities and shareholders' equity				
Current liabilities	**76,263,656**	**47,921,234**	**39,698,521**	**24,501,193**
Deposits	**12,100,325**	**6,502,079**	**12,005,107**	**4,897,032**
Demand deposits	1,981,834	1,314,787	1,969,747	120,998
Interbank deposits - related parties	-	-	288,643	267,496
Interbank deposits	377,748	311,747	329,216	311,747
Time deposits	9,740,743	4,864,107	9,417,501	4,185,325
Other deposits	-	11,438	-	11,466
Open market funding	**37,913,665**	**18,652,681**	**19,907,307**	**11,815,896**
Own portfolio	17,594,114	9,505,015	2,794,576	2,671,016
Third-party portfolio	18,818,750	6,427,154	15,611,932	6,424,368
Freely-traded portfolio	1,500,801	2,720,512	1,500,799	2,720,512
Funds from securities issued and accepted	**1,323,535**	**887,545**	**1,318,140**	**887,095**
Real estate bonds	1,309,444	887,095	1,309,444	887,095
Liabilities for foreign securities	14,091	450	8,696	-
Interbank transactions	**474,661**	**6,467**	**46,425**	**6,467**
Unsettled receipts and payments	48,601	6,467	46,425	6,467
Onlending	425,519	-	-	-
Thid parties' funds in transit	541	-	-	-
Borrowings	**1,306,606**	**223,990**	**1,212,762**	**272,386**
Domestic loans	30	-	-	-
Foreign borrowings	1,306,576	223,990	1,212,762	272,386
Local onlending - official institutions	**65,487**	**334**	**65,487**	**334**
FINAME - Special Agency for Industrial Financing	65,487	334	65,487	334
Derivative financial instruments	**1,806,607**	**3,716,046**	**1,398,022**	**1,557,743**
Derivative financial instruments	1,806,607	3,716,046	1,398,022	1,557,743
Other liabilities	**21,272,770**	**17,932,092**	**3,745,271**	**5,064,240**
Collection of taxes and mandatory contributions	23,813	3,745	18,114	3,261
Foreign exchange portfolio	1,736,603	2,679,331	1,736,603	4,167,070
Social and statutory	259,161	103,407	199,780	74,926
Tax and social security	211,370	375,853	87,420	323,163
Securities trading and brokerage	17,890,030	14,701,314	1,627,822	464,603
Technical provisions of insurances and social security	40,163	-	-	-
Subordinate debt	8,283	-	-	-
Sundry	1,103,347	68,442	75,532	31,217
Non-current liabilities	**8,550,844**	**1,741,931**	**6,719,318**	**1,697,953**
Deposits	**2,003,274**	**1,244,553**	**1,322,275**	**1,244,553**
Interbank deposits	2,719	-	-	-
Time deposits	2,000,555	1,244,553	1,322,275	1,244,553
Funds from securities issued and accepted	**4,610,227**	**22,089**	**4,320,236**	**22,089**
Real estate bonds	4,322,387	22,089	4,320,236	22,089
Liabilities for foreign securities	287,840	-	-	-
Local onlending - official institutions	**9,404**	**-**	9,404	**-**
FINAME - Special Agency for Industrial Financing	9,404	-	9,404	-
Derivative financial instruments	**192,697**	**185,475**	**129,890**	**168,275**
Derivative financial instruments	192,697	185,475	129,890	168,275
Other liabilities	**1,735,242**	**289,814**	**937,513**	**263,036**
Foreign exchange portfolio	-	124,348	-	124,348
Social and statutory	-	20,963	-	15,225
Tax and social security	740,303	115,726	448,789	96,691
Securities trading and brokerage	5,860	3,069	5,860	3,069
Subordinate debt	363,585	-	-	-
Sundry	625,494	25,708	482,864	23,703
Deferred income	**72,524**	**10,469**	**33,446**	**10,469**
Minority shareholding	**23,262**	**-**	**-**	**-**
Shareholders' equity	**5,826,997**	**3,434,712**	**5,826,837**	**3,434,712**
Capital - local residents	2,971,350	555,007	2,971,350	562,086
Capital reserves	-	7,079	-	-
Income reserves	2,443,529	831,048	2,443,529	832,464
Retained earnings	412,118	2,041,578	411,958	2,040,162
			-	
Total liabilities and shareholders' equity	**90,737,283**	**53,108,346**	**52,278,122**	**29,644,327**

See accompanying notes.

BANCO BTG PACTUAL S.A.

Statements of income
Six-month periods ended June 30, 2011 and 2010
(In thousands of reais, except per share information)

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Financial income	**2,888,649**	**1,195,008**	**2,649,848**	**1,108,990**
Loans	410,989	123,385	245,685	119,747
Lease transactions	11,895	-	-	-
Marketable securities	2,204,024	816,484	2,136,095	844,158
Derivatives financial instruments	220,024	242,477	226,352	139,764
Foreign Exchange	41,717	12,662	41,716	5,321
Financial expenses	**(2,107,509)**	**(813,941)**	**(2,018,831)**	**(808,148)**
Funding operations	(2,082,297)	(903,110)	(1,950,463)	(900,051)
Borrowings and onlending	12,621	90,849	(55,818)	93,261
Allowance for losses on loans and other receivables	(37,833)	(1,680)	(12,550)	(1,358)
Gross financial income	**781,140**	**381,067**	**631,017**	**300,842**
Other operating income (expenses)	**135,982**	**123,976**	**176,061**	**137,708**
Income from services rendered	524,002	351,914	310,116	195,789
Revenues from insurance Premium	7,626	-	-	-
Expenses from withheld claims	(2,425)	-	-	-
Personnel expenses	(130,842)	(113,460)	(91,973)	(88,769)
Other administrative expenses	(204,529)	(101,181)	(113,321)	(83,090)
Tax charges, other than income taxes	(128,067)	(69,101)	(68,784)	(56,611)
Equity pickup from subsidiaries	-	-	132,229	113,374
Other operating income	146,207	80,200	31,412	57,600
Other operating expenses	(75,990)	(24,396)	(23,618)	(585)
Operating income	**917,122**	**505,043**	**807,078**	**438,550**
Non-operating income	(204)	872	3,938	142
Income before taxes and profit sharing	**916,918**	**505,915**	**811,016**	**438,692**
Income and social contribution taxes	**(272,974)**	**(66,583)**	**(219,718)**	**(28,137)**
Provision for income tax	(109,157)	(32,558)	(59,763)	41
Provision for social contribution tax	(59,672)	(19,053)	(35,807)	21
Deferred tax assets	(104,145)	(14,972)	(124,148)	(28,199)
Employees' statutory profit or gain sharing	(198,367)	(103,059)	(157,054)	(74,282)
Minority shareholding	256	-	**-**	**-**
Net income for the semester/year	**445,833**	**336,273**	**434,244**	**336,273**
Number of outstanding shares at the end of semester/ year			**2,400,000,000**	**1,253,583,889**
Earnings per share - R$			**0.18**	**0.27**

See accompanying notes.

BANCO BTG PACTUAL S.A.

Statements of changes in shareholders' equity - Banco BTG Pactual S.A.
Six-month periods ended June 30, 2011 and 2010
(In thousands of reais, except dividends per share)

		Capital	Income reserves				Retained	
	Capital	reserves	Legal	Unrealized income	Statutory	Total	earnings	Total
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 semester	-	-	-	-	-	-	336,273	336,273
Appropriation of net income								
Reserves constitution	-	-	1,416	-	-	1,416	(1,416)	-
Balances at June 30, 2010	562,086	-	112,418	276,041	444,005	832,464	2,040,162	3,434,712
Balances at December 31, 2010	2,971,350		150,775	470,339	2,010,129	2,631,243	-	5,602,593
Dividends distributed (R$ 0.09 per share)	-	-	-	-	(210,000)	(210,000)	-	(210,000)
Net income for the semester	-	-	-	-	-	-	434,244	434,244
Appropriation of net income								
Reserves constitution	-	-	22,286	-	-	22,286	(22,286)	-
Balances at June 30, 2011	2,971,350	-	173,061	470,339	1,800,129	2,443,529	411,958	5,826,837

See accompanying notes.

BANCO BTG PACTUAL S.A.

Statements of cash flows
Six-month periods ended June 30, 2011 and 2010

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Operating activities				
Net income for the semester period/year	**445,833**	336,273	**434,244**	336,273
Adjusted net income	**6,863**	6,036	**(125,476)**	(107,338)
Equity pickup from subsidiaries	**-**		**(132,229)**	(113,374)
Depreciation and amortization	**6,863**	6,036	**6,753**	6,036
Adjusted net income for the six month period/year	**452,696**	342,309	**308,768**	228,935
(Increase)/decrease in short-term interbank investments	**3,779,058**	219,646	**1,904,986**	191,472
(Increase)/decrease in marketable securities and derivative instruments	**162,636**	(19,518,384)	**(3,144,039)**	(3,936,234)
(Increase)/decrease in loans	**(3,418,944)**	(637,754)	**(2,514,502)**	(604,945)
(Increase)/decrease in other receivables and other assets	**(6,683,500)**	(4,802,135)	**1,856,171**	(3,727,238)
(Increase)/decrease in interbank transactions	**474,660**	(38,768)	**(92,459)**	(38,770)
(Decrease)/increase in other liabilities	**11,193,366**	15,472,987	**(1,123,633)**	3,300,174
Interdepartmental accounts	**(40)**	-	**-**	-
Interbank transactions	**(146,759)**	-	**-**	-
Lease transactions	**(306,104)**	-	**-**	-
(Decrease)/increase in deferred income	**48,234**	2,072	**9,156**	2,073
Cash generated from/(used in) operating activities	**5,555,303**	**(8,960,027)**	**(2,795,552)**	(4,584,533)
Investing activities				
Sale of investments	**296**	-	**100**	-
Disposal of equity interest	**-**	-	**648,532**	-
Sale of property and equipment in use	**32,552**	-	**32,552**	422
Acquisition of equity interest	**-**	422	**(489,499)**	-
Acquisition of investments	**(474)**	(416)	**(474)**	(416)
Acquisition of property and equipment in use	**(22,185)**	(3,126)	**(21,160)**	(3,126)
Decrease in deferred charges	**-**	-	**-**	-
Capital increase in subsidiaries	**(13,074)**	-	**-**	-
Acquisition of intangible assets	**(18,949)**	(3,466)	**(3,090)**	(3,466)
Dividends received	**-**	-	**80,000**	-
Cash generated from/(used in) investing activities	**(21,834)**	**(6,586)**	**246,961**	**(6,586)**
Financing activities				
Increase/(decrease) in deposits	**3,530,055**	2,223,917	**5,904,799**	1,764,325
Increase/(decrease) in open market funding	**(4,050,728)**	9,596,065	**(4,642,239)**	2,913,353
Increase/(decrease) in borrowings and onlending	**1,226,234**	163,053	**717,296**	264,741
Increase/(decrease) in funds from securities issued and accepted	**4,628,262**	579,424	**4,338,896**	578,974
Minority shareholding	**23,263**	-	**-**	-
Dividends distributed	**(210,000)**	(146,061)	**(210,000)**	(146,061)
Cash generated from/(used in) financing activities	**5,147,086**	12,416,398	**6,108,753**	5,375,332
Increase/(decrease) in cash and cash equivalents	**10,680,555**	**3,449,785**	**3,560,162**	**784,213**
Cash and cash equivalents				
At beginning of the semester/year	**18,925,370**	8,329,527	**11,642,236**	**7,773,647**
At end of the semester/year	**29,605,925**	11,779,312	**15,202,398**	**8,557,860**
Increase/(decrease) in cash and cash equivalents	**10,680,555**	**3,449,785**	**3,560,162**	**784,213**

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.

On June 15, 2011,with the approval of Brazilian Central Bank (BACEN), the subsidiary BTG Pactual Banking Limited, located in Cayman Islands, was transformed into the bank's branch.

On June 10, 2011, the Bank entered into an investment agreement with W Torre Properties S.A. in order to developing operations in the real estate business. Once concluded, the investments agreed will be made by the Bank through the contribution of its properties or its subsidiaries.

On May 27, 2011, the Bank acquired all shares of Banco Panamericano S.A. (Panamericano) owned by the Grupo Silvio Santos. As a result, the Bank became owner of 37,64% of the total shares of the bank of retail, resulting on 51% stake on ordinary shares and 21,97% stake on preferred shares.

The Bank and Caixa Econômica Federal (Caixa) started to exercise joint control over the investment, when the transaction was concluded and approved by the BACEN

On June 17, 2011, BTG Pactual S.A. filed a takeover bid in the CVM -Brazilian Securities and Exchange Commission for acquisition of PanAmericano's preferred shares held by the non-controlling interest, at the same price paid for shares to the former controlling shareholder.

2. Presentation of financial statements

The Bank's consolidated financial statements comprise the Bank's financial statements, its foreign branches, domestic and foreign subsidiaries and joint controlled companies – both directly and indirectly – as well as investment funds and special purpose entities (SPE), and were prepared in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil under the accounting practices provided by Law No. 4595 (Law of the National Financial System) and No. 6401/76 (Corporate Law), with the amendments introduced by Law No. 11638/07 and No. 11941/09 for accounting of transactions related to norms and instructions from the National Monetary Council (CMN), Central Bank of Brazil (BACEN), Brazilian Securities and Exchange Commission (CVM), National Council of Private Insurance (CNSP), and Superintendence of Private Insurance (SUSEP), where applicable.

Consider the financial statements of lease companies under the financial method, with the reclassification of the lease property for the account lease transactions, deducted from the residual value previously received.

As defined by BACEN Circular Letter No. 2804 of February 11, 1998, the individual financial statements of Banco BTG Pactual S.A. comprise its foreign branch.

According to BACEN Circular Letter No. 3068 of November 8, 2011, the securities classified as *for trade* are stated in balance sheets under Current Assets, regardless of their maturity date.

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 uncertainty of the determination process. The Bank and its subsidiaries review these estimates and assumptions on a regular basis.

3. Consolidated financial statements

The consolidated financial statements were prepared in accordance with consolidation criteria established by BACEN, given that interests, asset and liability account balances, revenues, expense and unrealized profit between the companies were eliminated, and the portions of net profit and equity referring to minority shareholding were highlighted.

In the case of joint controlled investments, in accordance with CMN Resolution No 2723 of May 31, 2000, asset, liability and equity components are accounted for by proportionate consolidation.

Goodwill determined on acquisition of investments in controlled and joint controlled companies is stated under investments and intangible assets, whilst negative goodwill is stated under deferred income.

As of December 31, 2010, the Bank's management elected to voluntarily apply the consolidation criteria adopted by CVM through CVM Resolution No. 668/11 to its consolidated financial statements. Consequently, at June 30, 2010, the consolidated financial statements are being restated in order to reflect the consolidation of exclusive or Bank-controlled investment funds at that date, thus enabling the comparison of the information with the consolidated financial statements as of June 30, 2011. Within this context, total assets, as well as total liabilities and equity, as at June 30, 2010, increased from R$ 32,641,993 to R$ 53,108,346. No changes were made in equity as at June 30, 2010 or in income statement income statement for the six-month period then ended.

The following consolidated financial statements include the Bank's individual results as well as its subsidiaries, both direct and indirect, including investment funds.

3. Consolidated financial statements - continued

	Share in total capital - %	
	2011	**2010**
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 Securitizadora S.A.	**99.99**	99.99
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96
BTG Pactual Banking Limited	**-**	100.00
BTG Pactual Holding International S.A.	**99.99**	
BTGP Recovery Holdings S.A.	**99.99**	-
BTG Pactual Logística S.A.	**99.99**	-
BTG Pactual Overseas Corporation(*)	**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 Gestora de Recursos Ltda.	**99.99**	99.99
BTG Pactual Corporate Services Ltda.	**99.99**	99.99
BTG Pactual Serviços Energéticos Ltda.– Coomex	**100.00**	-
BTG Pactual Empresa Operadora do Mercado Energético Ltda.– Coomex	**99.99**	-
Recovery do Brasil Consultoria S.A.	**50.24**	-
FC DAS S.A.	**100.00**	-
Investment funds		
BTG Pactual Absolute Return II Master Fund LP	**100.00**	100.00
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	**100.00**	100.00
BTG Pactual International Port Fund SPC - CLASS C	**99.83**	99.83
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I	**100.00**	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I	**100.00**	-
BTG Pactual Vanguarda Fundo de Investimento em Participações	**92.73**	92.73
BTG Pactual Saúde Fundo de Investimento em Participações	**100.00**	100.00
Nala Fundo de Investimento em Participações	**100.00**	100.00
Direct joint control		
Banco Panamericano S.A.	**37.64**	-
Indirect joint control via Banco Panamericano S.A.		
Panamericano Arrendamento Mercantil S.A.	**37.64**	-
Panamericana de Seguros S.A.	**37.64**	-
Panamericano Administradora de Consórcio Ltda.	**37.64**	-
Indirect joint control – Special purpose entity		
Caixa Fundo de Investimento em Direitos Creditórios CDC Veículos do Banco Panamericano	**37.64**	-
Caixa Fundo de Investimento em Direitos Creditórios Master CDC Veículos do Banco Panamericano	**37.64**	-
Fundo de Investimento em Diretiros Creditórios FF - Multisegmentos	**37.64**	-
Fundo de Investimento em Diretiros Creditórios F BP - Financeiro	**37.64**	-

(*) At June 30, 2010, BTG Pactual Overseas Corporation was classified under indirect controlled companies.

3. Consolidated financial statements - continued

In connection with the acquisition of interest in Panamericano, as mentioned in Note 1, Paranamericano's financial statements were consolidated for the period from May 1 to June 30, 2011 under the proportional consolidation method in the income of statement and consolidated cash flows.

Equity and net profit reconciliation for the six-month period ended June 30, 2011 is as follows:

	Equity	Net profit
Individual bank	5,826,837	434,244
Effect of elimination of assignments to FIDCs, net of taxes	160	160
Adjustment in market value – TVM and Derivatives of controlled company	-	(41)
Adjustment to controlled company's prior years	-	11,470
Consolidated bank	5,826,997	445,833

3. Consolidated financial statements - continued

Functional currency

Items included in financial statements of each of the companies in the Bank's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are stated in Brazilian reais (R$), which is the Bank's functional currency and also the reporting currency of BTG Pactual Group. The financial statements' closing date rate was used for translation of assets and liabilities, while the income statement accounts are converted at the average rate for the period.

The financial statements of the branch and foreign companies, originally stated in US dollars were translated into Brazilian reais at the US dollar foreign exchange rate at the financial statements date.

In the consolidated financial statements, the foreign exchange variation effects on foreign investments are distributed in the income statement accounts according to their respective nature.

4. Significant accounting practices

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

a) **Cash and cash equivalents –** According to CMN Resolution No. 3604/08, for cash flow statement purposes, this includes cash in hand, bank deposits, and other short-term, highly liquid investments with original maturities of 90 days or less.

b) **Short-term interbank investments, remunerated BACEN deposits, remunerated deposits, open market investments, funds from securities issued and accepted, borrowings, subordinated debts and other asset and liability transactions** – The transactions with clauses of monetary/foreign exchange appraisal and transactions with fixed interest rates are recorded, at the inception date, by the net present value net of any transaction costs incurred, and calculated on a pro rata daily basis, based on the effective interest method.

4. Significant accounting practices - continued

c) Securities trading – Securities are valued and classified based on the criteria defined by Circular Letter No. 3068/01 under the following categories:

(i) held for trading – Remeasured at fair value and recorded in the income statement

(ii) **available for sale** – these are recorded at acquisition cost, plus earnings, matching against the income statement and valued at market value matching against specific equity accounts, net of tax effects.

(iii) **held to maturity** – these are securities, except for unredeemable shares, for which there is intention – or it is mandatory – and financial capacity of the institution for its maintenance in portfolio up to their maturity date, recorded at acquisition cost or market value when transferred from other category. Securities are restated up to their maturity date, not being valued at market value.

Gains and losses of securities available for sale, when realized, are recognized on their trading date on the income statement matching against specific equity account.

Decrease in market value of securities available for sale and held to maturity below their respective restated costs, related to reasons considered as not temporary, are reflected in the income statement as realized losses.

d) Derivative financial instruments - 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 income statement.

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.

4. Significant accounting practices - continued

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.

The daily adjustments of futures market 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.

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

Assets and liabilities resulting from swap and forward NDF transactions are marked to market and recorded in the balance sheet based on the amount receivable and payable of each contract, with the net result of the mark to market effect flowing through the statement of income, and no amounts receivable and payable being offset. The notional amount of contracts is recorded in memorandum accounts.

4. Significant accounting practices - continued

f) Credit and lease transactions and other credits (lending type transactions) – These are recorded at net present value on a daily pro rata basis, based on the index variation and on the agreed-upon interest rate, restated up to the 60th day in arrears at the financial companies, observing the estimated receipt date. Following the 60th day, they are recognized in the income statement when their installments are effectively received. Renegotiated transactions are kept at least at the same level where they were previously classified for renegotiation and, in the event that they were already written off against provision, these are classified at H level; gains are recognized in revenue upon their effective receipt.

g) Allowance for losses – These are set up based on analysis of risk of realization of credits in sufficient amount to cover any losses, in accordance with CMN Resolution No. 2,682, of December 21,1999, of which we highlight the following:

Allowances are set up when credit is granted, based on the customer's risk classification obtained from periodical analysis of customer quality and industries, and not only upon default;

- Solely considering default, loan transaction write-offs matched against losses shall be realized 360 days after maturity of the loan or after 540 days for loans with terms of more than 36 months.
- Allowance for loans and other credits is estimated based on analysis of transactions and specific risks presented in each portfolio in accordance with the criteria set out by CMN Resolution No. 2682/99.

h) Investments – Investments in subsidiaries are accounted for under the equity method. The equity securities 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. The CETIP's (Custody and Settlement) securities were restated through its demutualization date. Other permanent investments are valued at acquisition cost, less allowance for losses, as applicable.

4. Significant accounting practices - continued

i) **Goodwill or negative goodwill –** As set forth by BACEN Circular Letter No. 1273, goodwill or negative goodwill recorded by the parent company, with values based on forecast of future results of subsidiaries, is amortized in accordance with projected maturities which justifies it, or when the investment is written off, by disposal or loss, before the forecasts are met. Goodwill or negative goodwill is recorded under Investments, in permanent assets.

j) **Property and equipment** - 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 are mainly comprised by leasehold improvements and its amortization is calculated on the straight-line basis considering the estimated period of use and/or lease.

k) **Intangible assets –** These correspond to rights acquired, the object of which is intangible goods, allocated for the entity's maintenance or exercised with this purpose, in accordance with CMN Resolution No. 3642 of November 26, 2008. These comprise goods amortized from five to ten years.

l) **The reduction of recoverable value assets (impairment) –** is recognized as a loss in the income statement for the period whenever there is clear evidence of reduction in the 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) **Income and social contribution taxes** - 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) Specific Panamericano accounting practices

(i) Technical provisions – Insurance and reinsurance

- **Provision for unearned premiums –** This is determined based on withheld premiums in accordance with CNSP Resolution No. 162/06 of December 26, 2006, amended by Resolutions No. 181/07, 195/08 and 204/09 under a daily accrual basis, and represents a portion of the premium corresponding to the non-elapsed period of risk.

- **Provision for unearned premiums – current but not issued risks –** This is set up in accordance with the rules and specifications set out in CNSP Resolution No. 162/06 amended by Resolutions No. 181/07, 195/08 and 204/09 and SUSEP Circular Letter No. 282/08. As of 2008, it started being recorded under Technical provisions in current liabilities.

- **Supplementary premium provision –** This is calculated on a daily pro rata basis, based on starting and ending term dates, and the withheld trade premiums. Its value is the difference, if positive, between the average sum of the amounts daily determined in the set up month, and provision for unearned premiums set up in the month for the same segment, considering all effective risks, whether issued or not, received or not.

- **Provision for claims incurred but not reported –** As determined by CNSP Resolution No. 162/06 amended by CNSP Resolution No. 181/07, 195/08 and 204/09 is set up based on actuarial note. Provision for claims incurred but not reported for DPVAT segment is set up on a monthly bases in accordance with the amounts calculated and informed exclusively by Seguradora Líder.

- **Provision for premium deficiency** – This is set up in accordance with norms and specifications set ou in Actuarial Not forwarded to SUSEP upon actuarial evaluation. The application of the criteria herein provided did not result in any provision to be setup.

4. Significant accounting practices - continued

(ii) Consortium

- **Management fee** – This is recorded when received from consortium groups. Commission on sales is recorded upon sale of quotas, and other revenues and expenses are recorded on a monthly accrual basis.

- **Consortia fund liabilities –** These are recorded at the amount to be returned to the consortium members of the ended groups, including remuneration equal to the yield generated by its investment fund quotas, where active groups have investments, and are recorded in "other liabilities – sundry" in the consolidated financial statements.

p) 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 non-appealable 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 the amount is recorded as a liability.

4. Significant accounting practices - continued

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

q) Revenue recognition – Results of transactions are determined on an accrual basis.

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.	
	2011	**2010**	**2011**	**2010**
i. . By position/security type				
Own portfolio				
Financial Treasury Bills	**98,935**	-	**246**	-
National Treasury Bills	**340,259**	538,406	**332,453**	538,406
National Treasury Notes	**1,863,389**	1,522,285	**1,675,125**	1,520,663
Securities issued by foreign governments	**-**	2,968,661	**-**	-
Corporate bonds	**184,862**	188,797	**184,862**	-
	2,487,445	5,218,149	**2,192,686**	2,059,069
Third-party portfolio				
Financial Treasury Bills	**7,484,889**	2,683,799	**7,484,889**	2,683,799
National Treasury Bills	**2,282,003**	676,924	**2,263,183**	676,924
National Treasury Notes	**5,978,660**	3,074,587	**5,873,546**	3,074,587
Securities issued by foreign governments	**3,188,111**	-	**-**	-
	18,933,663	6,435,310	**15,621,618**	6,435,310
Short position				
National Treasury Bills	**526,763**	517,020	**526,763**	517,020
National Treasury Notes	**974,090**	2,190,166	**974,090**	2,190,166
Securities issued by foreign governments	**10,716,297**	-	**-**	-
	12,217,150	2,707,186	**1,500,853**	2,707,186
	33,638,258	14,360,645	**19,315,157**	11,201,565
ii. By maturity				
Up to 90 days	**29,267,568**	11,711,104	14,944,467	**8,552,024**
Over 90 days	**4,370,690**	2,649,541	4,370,690	**2,649,541**

6. Short – term interbank investments - Continued

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.	
	2011	**2010**	**2011**	**2010**
i. By security				
Interbank deposits - CDI	**558,627**	30,511	**389,022**	30,511
Investments in foreign currency - Overnight	**7,719**	23,605	**7,718**	6,675
	566,346	54,116	**396,740**	37,186
ii. By maturity				
Up to 90 days	**133,861**	50,609	**35,300**	33,679
Over 90 days	**432,485**	3,507	**361,440**	3,507
	566,346	54,116	**396,740**	37,186

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			
	2011		2010	
	Cost	**Market**	**Cost**	**Market**
Securities classification				
For trading	**29,740,365**	**30,367,737**	24,446,761	24,407,199
Available for sale	**377,019**	**377,014**	-	-
Held to maturity	**3,242,503**	**3,242,503**	-	-
Total	**33,359,887**	**33,987,254**	24,446,761	24,407,199
Current amount	**30,117,384**	**30,744,751**	24,446,761	24,407,199
Long-term amount	**3,242,503**	**3,242,503**		

7. Marketable securities and derivative financial instruments - Continued

a) Marketable securities- continued

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

	Consolidated			
	2011		2010	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**120,953**	**120,952**	346,526	346,578
National Treasury Bills	**185,863**	**184,020**	154,827	154,731
National Treasury Notes	**3,507,865**	**3,455,927**	569,812	573,392
Bank Deposit Certificates	**15,428**	**15,428**	77,806	77,776
Bank Credit Certificate	**126,675**	**125,793**	93,817	93,817
Real Estate Bond	**299**	**299**	1,098	1,098
Investment fund shares	**4,408,394**	**4,408,394**	508,945	508,945
Stocks	**1,929,359**	**1,950,073**	1,851,150	1,830,929
Writs of payment	**671**	**671**	28,856	579
Agribusiness credit bill	**24,479**	**24,479**	-	-
Promissory notes	**256,078**	**256,078**	-	-
Real Estate Receivables Certificate	**507,030**	**495,557**	268,278	268,278
Securities issued by foreign governments	**431,752**	**528,527**	8,323,902	8,322,684
Corporate bonds	**2,386,486**	**2,338,543**	1,881,495	1,881,495
Sundry	**103**	**103**	-	-
	13,901,435	**13,904,844**	14,106,512	14,060,302
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**300,382**	**300,381**	71,718	71,717
National Treasury Bills	**319,148**	**315,116**	872,529	874,360
National Treasury Notes	**3,062,621**	**3,061,110**	1,730,424	1,739,757
Securities issued by foreign governments	**12,201,496**	**12,246,644**	556,638	556,638
Corporate bonds	**1,229,289**	**1,800,673**	6,194,562	6,194,562
	17,112,936	**17,723,924**	9,425,871	9,437,034
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**278,670**	**278,666**	358,708	358,708
National Treasury Bills	**1,776,537**	**1,772,430**		
National Treasury Notes	**141,942**	**156,384**	64,499	64,143
Bank Deposit Certificates	**-**	**-**	24,503	24,523
Stocks	**148,367**	**151,006**	466,668	462,489
	2,345,516	**2,358,486**	914,378	909,863

7. Marketable securities and derivative financial instruments - Continued

a) Marketable securities- continued

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

	Banco BTG Pactual S.A.			
	2011		2010	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**34,261**	**34,260**	346,526	346,540
National Treasury Bills	**185,863**	**184,006**	154,827	154,731
National Treasury Notes	**2,147,341**	**2,121,869**	547,478	551,313
Debentures			77,806	77,776
Bank Credit Certificate	**126,675**	**125,793**	93,817	93,817
Real Estate Bond	**299**	**299**	1,098	1,098
Investment fund shares	**7,427,045**	**7,427,045**	1,595,528	1,595,528
Stocks	**1,404,599**	**1,414,198**	89,079	97,564
Corporate bonds	**1,008,153**	**1,007,723**	1,171,295	1,165,523
Writ of payments	**28,948**	**671**	28,856	579
Securities issued by foreign governments	**285,778**	**335,920**	-	-
Promissory notes	**256,078**	**256,078**	-	-
Real Estate Receivables Certificate	**507,030**	**495,557**	268,278	268,278
	13,412,070	**13,403,419**	4,374,588	4,352,747
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**177,932**	**177,932**	71,718	71,717
National Treasury Bills	**319,148**	**315,116**	872,529	874,360
National Treasury Notes	**1,168,750**	**1,166,134**	1,730,424	1,739,757
Corporate bonds	**1,229,288**	**1,231,477**	-	-
	2,895,118	**2,890,659**	2,674,671	2,685,834
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**1,486**	**1,486**	15,034	15,034
National Treasury Bills	**1,776,537**	**1,772,430**	-	-
National Treasury Notes	**61,206**	**57,752**	25,387	25,492
Stocks	**148,367**	**151,006**	252,685	248,505
Bank Deposit Certificates	**-**	**-**	24,503	24,523
	1,987,596	**1,982,674**	317,609	313,554

7. Marketable securities and derivative financial instruments - continued

b) Derivative financial instruments

	Consolidated			
	2011			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**231,185**	**535,735**	**354,982**	**490,027**
Forward transactions - receivables and payables	**702,700**	**719,988**	**709,179**	**709,179**
Option premiums	**360,696**	**294,485**	**657,177**	**535,860**
Non Deliverable Forward (NDF)	**29,893**	**126,590**	**104,472**	**264,238**
	1,324,474	**1,676,798**	**1,825,810**	**1,999,304**
Current amount		**1,404,745**		**1,806,607**
Long-term amount		**272,053**		**192,697**

	Consolidated			
	2010			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	51,655	69,268	167,667	184,902
Forward transactions - receivables and payables	3,388,825	3,388,243	3,381,555	3,381,541
Option premiums	271,941	240,448	323,089	261,580
Non Deliverable Forward (NDF)	8,320	17,380	71,500	73,498
	3,720,741	3,715,339	3,943,811	3,901,521
Current amount		3,600,530		3,716,046
Long-term amount		114,809		185,475

7. Marketable securities and derivative financial instruments - continued

b) Derivative financial instruments --Continued

	Banco BTG Pactual S.A.			
	2011			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**293,171**	**387,883**	**220,142**	**255,386**
Forward transactions - receivables and payables	**662,624**	**679,910**	**668,542**	**668,543**
Option premiums	**257,561**	**194,446**	**460,936**	**339,745**
Non Deliverable Forward (NDF)	**29,893**	**126,591**	**104,472**	**264,238**
	1,243,249	**1,388,830**	**1,454,092**	**1,527,912**
Current amount		**1,125,786**		**1,398,022**
Long-term amount		**263,044**		**129,890**

	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

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

i. Type of credit

	Consolidated			
	2011		2010	
Type of credit	Balance	Allowance	Balance	Allowance
Loans	**5,914,581**	**(382,956)**	1,511,124	(68,955)
Financing	**1,373,160**	**(2,015)**	523,164	(2,344)
Onlending FINAME/BNDES	**75,294**	**(70)**	341	(2)
Securities financing	**142,624**	**-**	45,631	-
Lease transactions	**333,593**	**(27,488)**		
Sub total	**7,839,252**	**(412,529)**	2,080,260	(71,301)
Other credits	**631,780**	**(4,033)**	120,088	(1,529)
Total	**8,471,032**	**(416,562)**	2,200,348	(72,830)
Current amount	**4,998,542**	**(378,400)**	1,044,102	(33,264)
Long-term amount	**3,472,490**	**(38,162)**	1,156,246	(39,566)

	Banco BTG Pactual S.A.			
	2011		2010	
Type of credit	Balance	Allowance	Balance	Allowance
Loans	**3,984,107**	**(76,375)**	1,463,303	(64,102)
Financing	**1,177,583**	**(2,015)**	523,164	(2,344)
Onlending FINAME/BNDES	**75,294**	**(70)**	341	(2)
Securities financing	**142,624**	**-**	45,631	-
Sub total	**5,379,608**	**(78,460)**	2,032,439	(66,448)
Other credits	**356,671**	**(225)**	120,088	(1,529)
Total	**5,736,279**	**(78,685)**	2,152,527	(67,977)
Current amount	**3,682,090**	**(40,523)**	1,036,302	(28,699)
Long-term amount	**2,054,189**	**(38,162)**	1,116,225	(39,278)

8. Credit operations – Continued

a) Credit operations

ii. By risk level and maturity

Consolidated

	2011						2010	
		Due						
Risk level	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total	Allowance	Total	Allowance
AA	-	1,525,390	617,235	1,361,021	3,503,646	-	872,827	-
A	2,356	1,436,723	677,818	1,711,917	3,828,814	(23,362)	641,784	(3,209)
B	25,382	130,912	61,264	138,032	355,590	(4,127)	409,804	(4,097)
C	25,154	31,707	13,447	62,522	132,830	(4,949)	103,654	(3,110)
D	34,738	37,115	13,137	42,248	127,238	(13,360)	90,233	(9,024)
E	37,426	25,466	65,328	39,730	167,950	(51,623)	29,450	(8,835)
F	32,374	6,238	4,626	21,047	64,285	(42,419)	16,081	(8,040)
G	25,244	6,404	5,111	36,154	72,913	(58,957)	-	-
H	114,503	25,713	17,731	59,819	217,766	(217,765)	36,515	(36,515)
Total	297,177	3,225,668	1,475,697	3,472,490	8,471,032	(416,562)	2,200,348	(72,830)

Banco BTG Pactual S.A.

	2011						2010	
		Due						
Risk level	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total	Allowance	Total	Allowance
AA	-	1,515,088	611,383	1,295,169	3,421,640	-	872,827	-
A	-	870,955	412,156	621,511	1,904,622	(13,550)	619,445	(3,097)
B	-	107,620	41,337	77,326	226,283	(2,263)	388,854	(3,888)
C	-	11,930	-	9,565	21,495	(645)	103,654	(3,110)
D	1,582	20,707	1,909	4,972	29,170	(2,917)	90,233	(9,024)
E	7,948	17,026	59,078	10,901	94,953	(28,486)	29,450	(8,835)
G	237	1,653	1,481	20,935	24,306	(17,014)	16,081	(8,040)
H	-	-	-	13,810	13,810	(13,810)	31,983	(31,983)
Total	9,767	2,544,979	1,127,344	2,054,189	5,736,279	(78,685)	2,152,527	(67,977)

8. Credit operations – Continued

iii. By business activity

	Consolidated	
Sector	**2011**	**2010**
Commerce	**211,708**	42,812
Manufacture	**788,785**	618,672
Services	**4,448,801**	1,050,404
Rural	**299,411**	40,622
Individuals	**2,722,327**	447,838
Total	**8,471,032**	2,200,348

	Banco BTG Pactual S.A.	
Sector	**2011**	**2010**
Commerce	**79,956**	42,812
Manufacture	**750,565**	614,407
Services	**4,278,623**	1,006,848
Rural	**289,599**	40,622
Individuals	**337,536**	447,838
Total	**5,736,279**	2,152,527

b) Advances in foreign exchange contracts

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

				Banco BTG Pactual S.A. e Consolidated	
				2011	
Type of credit	**Client**	**Business activity**	**Risk level**	**Balance**	**Allowance**
Advances in foreign exchange contracts (i)	Corporate	Manufacture	AA	**32,678**	**-**
	Corporate	Services	AA	**94,547**	**-**
	Corporate	Manufacture	A	**15,948**	**(80)**
	Corporate	Services	A	**72,273**	**(361)**
	Corporate	Services	B	**193,994**	**(1,940)**
				409,440	**(2,381)**

				Banco BTG Pactual S.A. e Consolidated	
				2010	
Type of credit	**Client**	**Business activity**	**Risk level**	**Balance**	**Allowance**
Advances in foreign exchange contracts (i)	Corporate	Manufacture	A	50,038	(250)
	Corporate	Manufacture	B	10,995	(110)
				61,032	(360)

(i) Classified under foreign exchange portfolio (Note 9.a).

8. Credit operations -Continued

ii. By maturity

	Consolidated e Banco BTG Pactual S.A.		
	Due		
Type of credit	Up to 6 months	6 to 12 months	Total
	2011		
Advances in foreign exchange contracts	**21,300**	**388,140**	**409,440**
	2010		
Advances in foreign exchange contracts	-	61,032	61,032

c) Allowance

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

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Opening balances	**(81,580)**	(89,487)	**(81,250)**	(85,108)
Incorporation of Panamericano's balances	**(350,731)**	-	**-**	-
Allowance reversal / (set up)	**(36,741)**	735	**(13,854)**	1,209
Credit written off as losses	**50,109**	15,562	**14,038**	15,562
Closing balances	**(418,943)**	(73,190)	**(81,066)**	(68,337)
Breaking down of closing balances				
Allowance for loan losses	**(412,529)**	(71,301)	**(78,460)**	(66,448)
Allowance for losses on other receivables	**(4,033)**	(1,529)	**(225)**	(1,529)
Allowance for advances in foreign exchange contracts	**(2,381)**	(360)	**(2,381)**	(360)
	(418,943)	(73,190)	**(81,066)**	(68,337)
Current amount	**(380,781)**	(33,624)	**(42,904)**	(29,059)
Long-term amount	**(38,168)**	(39,566)	**(38,168)**	(39,278)

8. Credit operations -Continued

The movement in the allowance for other credit-extension-like during the years was as follows :

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Opening balances	**(30,253)**	(51,384)	**(30,253)**	(51,384)
Allowance reversal / (set up)	**(1,092)**	(362)	**1,304**	(362)
Credit written off as losses	**211**	-	**211**	-
Incorporation of Panamericano	**(19,555)**	-	**-**	-
Closing balances	**(50,689)**	(51,746)	**(28,738)**	(51,746)
Breaking down of closing balances				
Allowance for losses on other receivables	**(50,689)**	(51,746)	**(28,738)**	(51,746)
Current amount	**(21,953)**	(314)	**(2)**	(314)
Long-term amount	**(28,736)**	(51,432)	**(28,736)**	(51,432)

Allowances for other credit-extension-like refer to acquisition of credit rights, as stated in item b of this Note, whereas allowances for other non-credit-extension-like basically refer to receivables from securities trading and brokerage, as shown in Note 9(b).

d) Renegotiation/recovery of written-off credits

In credit portfolio, the amounts of R$ 50,625 (R$ 17,973 in 2010), in the consolidated financial statements, and R$ 31,507 (R$ 17,973 in 2010), in the Bank, refer to renegotiations that took place in the six-month period ended June 30, 2011. There was a recovery of written-off credits for loss amounting to R$ 19,468 (nil in 2010), in the consolidated financial statements, and R$ 13,810 (nil in 2010), in the Bank.

9. Other credits/other liabilities

a) Foreign exchange portfolio

	Consolidated			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased/sold	**1,081,140**	**1,055,849**	1,324,224	1,538,759
Rights on foreign exchange sales	**1,060,056**	**-**	1,538,773	-
(-) Advances in foreign exchange contracts	**3,344**	**(406,096)**	-	(61,032)
(-) Advances in foreign currency received	**(1,177)**	**-**	(2,336)	-
(-) Advances in local currency received	**(25,574)**	**-**	(432)	-
Liabilities for foreign exchange purchases	**-**	**1,086,850**	-	1,325,952
	2,117,789	**1,736,603**	2,860,229	2,803,679
Current amount	**2,117,789**	**1,736,603**	2,737,168	2,679,331
Long-term amount	**-**	**-**	123,061	124,348

	Banco BTG Pactual S.A.			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased / sold	**1,081,140**	**1,055,849**	2,073,003	2,279,645
Rights on foreign exchange sales	**1,060,056**	**-**	2,285,625	-
(-) Advances in foreign exchange contracts	**3,344**	**(406,096)**	-	(61,033)
(-) Advances in foreign currency received	**(1,177)**	**-**	(2,336)	-
(-) Advances in local currency received	**(25,574)**	**-**	(432)	-
Liabilities for foreign exchange purchases	**-**	**1,086,850**	-	2,072,806
	2,117,789	**1,736,603**	4,355,860	4,291,418
Current amount	**2,117,789**	**1,736,603**	4,232,799	4,167,070
Long-term amount	**-**	**-**	123,061	124,348

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$ 27,151 in the consolidated and in the Bank (R$ 32,274 in the consolidated and in the Bank in 2010).

9. Other credits/other liabilities (Continued)

b) Securities trading and brokerage

	Consolidated			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**202,962**	**421,985**	186,537	5,602
Debtors/creditors – pending settlement **(i)**	**6,278,790**	**6,112,377**	3,128,471	2,523,170
Escrow deposits – Margin	**-**	**-**	-	-
Credits for stock loans	**-**	**159,889**	-	527,148
Other receivables/other payables for securities trading and brokerage **(ii)**	**19,330**	**11,201,639**	342,699	11,648,463
	6,501,082	**17,895,890**	3,657,707	14,704,383
Current amounts	**6,501,001**	**17,890,030**	3,657,638	14,701,314
Long-term amounts	**81**	**5,860**	69	3,069

	Banco BTG Pactual S.A.			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**22,948**	**308,320**	185,718	5,232
Debtors/creditors - pending settlement **(i)**	**1,561,928**	**233,246**	127,394	291,972
Credits for stock loans	**-**	**142,221**	-	133,810
Other receivables/other payables for securities trading and brokerage **(ii)**	**26**	**949,895**	19,962	36,658
	1,584,902	**1,633,682**	333,074	467,672
Current amounts	**1,584,876**	**1,627,822**	333,005	464,603
Long-term amounts	**26**	**5,860**	69	3,069

(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 assets, represented by swap intermediation transactions, and in liabilities, refers basically to sale of shares, to be settled within the terms established in regulation.

10. Other credits

a) Income receivable

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Dividends and bonuses	**1,732**	4,567	**1,222**	15,436
Receivables from services rendered	**175,641**	11,019	**56,504**	9,327
Management and performance fees for investment funds and portfolios	**52,492**	42,189	**7,033**	5,044
Commissions on guarantees	**7,080**	278	**7,080**	278
Sundry	**1,215**	2,323	**413**	1,834
	238,160	60,376	**72,252**	31,919
Current amounts	**235,542**	60,376	**69,634**	31,919
Long-term amounts	**2,618**	-	**2,618**	-

b) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Deferred tax assets	**1,463,358**	1,129,954	**692,679**	1,087,681
Legal deposits:				
Social security financing tax (COFINS) - suspended collection	**397,377**	302,206	**380,561**	294,267
Social contribution tax (CSL) - suspended collection	**10,051**	10,620	**9,262**	9,772
Social integration program tax (PIS) - suspended collection	**9,748**	9,307	**8,584**	8,143
Income tax (IRPJ) - suspended collection	**5,428**	8,263	**3,590**	6,497
Fine by BACEN	**15,820**	15,114	**15,820**	15,114
Service tax (ISS)	**8,095**	5,579	**3,913**	3,913
Social security contribution tax (INSS)	**14,169**	14,032	**14,169**	14,032
Others	**24,833**	1,325	**3,313**	560
Recoverable taxes	**193,766**	89,089	**135,214**	63,612
Tax incentive options	**1,317**	1,317	**1,317**	1,317
Credits receivable (i)	**1,139,698**	120,088	**356,671**	120,088
Receivables from securities trading and brokerage	**-**	123,529	**26,732**	122,531
Amounts receivable on lease transactions	**23,057**	-	**-**	-
Others	**266,021**	57,190	**91,221**	34,154
	3,572,808	1,887,613	**1,743,046**	1,781,681
Current amount	**1,461,282**	598,541	**365,857**	576,825
Long-term amount	**2,111,526**	1,289,072	**1,377,189**	1,204,856

(I) These substantially refer to credit rights shown in Note 8(a), amounting to R$ 631,968 (R$ 120,088 in 2010), in the consolidated financial statements, and R$ 356,671 (R$ 120,088 in 2010).

11. Investments in subsidiaries - bank

	Subsidiaries					
	Capital		Shareholders' equity		Net income (loss)	
	At June 30, 2011	At June 30, 2010	At June 30, 2011	At June 30, 2010	At June 30, 2011	At June 30, 2010
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**43,878**	3,878	**124,672**	99,612	**42,798**	28,781
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**168,890**	168,890	**274,287**	220,736	**21,411**	15,505
BTG Pactual Serviços Financeiros S/A DTVM	**32,062**	32,062	**69,662**	51,018	**11,182**	7,257
BTG Pactual Corretora de Mercadorias Ltda.	**7,020**	7,020	**67,104**	60,774	**1,919**	4,439
BTG Pactual Corporate Services Ltda.	**4,128**	1	**31,559**	4,629	**(1,003)**	117
BTG Pactual Agente Comercializador de Energia Ltda.	**177,810**	5	**217,716**	86	**32,104**	(12)
BTG Pactual Securitizadora S/A.	**80,100**	100	**86,704**	99	**5,912**	(1)
BTG Pactual Recovery Holding S.A.	**23,400**	-	**23,121**	-	**(279)**	-
Banco Panamericano S.A.(i)	**1,108,091**	-	**1,345,281**	-	**50,624**	-
Foreign companies						
BTG Pactual Banking Limited	-	307,685		511,540	**-**	41,550

	Banco BTG Pactual S.A.					
	Equity interest		Investment book value		Equity pickup (iii)	
	At June 30, 2011	At June 30, 2010	At June 30, 2011	At June 30, 2010	At June 30, 2011	At June 30, 2010
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**99.99%**	99.99%	**124,672**	99,612	**42,798**	28,781
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99%**	99.99%	**274,287**	220,736	**21,411**	15,505
BTG Pactual Serviços Financeiros S.A DTVM	**99.99%**	99.99%	**69,661**	51,018	**11,181**	7,257
BTG Pactual Corretora de Mercadorias Ltda.	**99.99%**	99.99%	**67,104**	60,774	**1,919**	4,439
BTG Pactual Corporate Services Ltda.	**0.01%**	99.40%	**4**	4,603	**-**	117
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96%**	99.96%	**217,716**	86	**32,104**	(12)
BTG Pactual Securitizadora S.A.	**99.99%**	99.99%	**86,704**	99	**5,912**	(1)
BTG Pactual Recovery Holding S.A.(ii)	**100%**	-	**23,121**	-	**(279)**	-
Banco Panamericano S.A.(i)	**37.64%**	-	**566,392**	-	**17,183**	-
Goodwill on investment in BTG Pactual Serviços Financeiros S.A.			**5,778**	5,778	-	-
Negative goodwill on investment in Banco Panamericano.			**(99,209)**	-	-	
			1,336,230	442,706	**132,229**	56,086
Foreign companies						
BTG Pactual Banking Limited		100%	**-**	511,523	**-**	57,288
			1,336,230	954,229	**132,229**	113,374

(i) Investment beginning April 28 , 2011
(ii) Investment beginning December 2, 2010
(iii) Any differences between net income in subsidiaries and equity pickup adjustment consist of restatement of equity security holdings (when regarding subsidiaries in Brazil) and exchange fluctuation of investments abroad (when regarding subsidiaries abroad).

1) Banco Panamericano

On May 27, 2011, as mentioned in Note 1, the Bank acquired a 37.64% interest in Banco Panamericano for R$ 450,000. On the transaction date, negative goodwill amounting to R$ 99,209 was determined. In the consolidated financial statements, the negative goodwill was reclassified under the heading income of statements for future years. Management analyzed the acquisition and concluded that the Bank had joint control with other shareholder, therefore, was a joint control investment, being proportionally consolidated with the Bank's interest in Panamericano's equity capital.

Panamericano mainly operates in the direct-to-consumer credit market, working with personal credit facilities and financing for vehicles, construction material, furniture, tourism, household appliances, etc. Through its direct and indirect subsidiaries, it also operates with lease for vehicles and other goods, personal or collective insurance, revenue from various events (unemployment insurance), group life insurance and personal damage insurance, in addition to consortium of vehicles and furniture. The benefits of services rendered between group companies and operating and administrative structure costs are absorbed by these companies, whether jointly or individually.

2) Recovery Consultoria do Brasil S.A e FC DAS S.A.

On February 21, 2011, the Bank acquired full interest in FC DAS S.A. (FC DAS), for R$ 8,331, at the time with a goodwill – determined based on the estimated profitability – of R$ 3,449. FC DAS itself has a 10.92% interest in Recovery do Brasil Consultoria S.A. (Recovery). Furthermore, on the same date, the Bank acquired a 39.32% interest in Recovery do Brasil Consultoria S.A. for R$ 29,990. In this transaction, a goodwill amounting to R$ 12,411 was determined and classified in other intangible assets, based on the estimated future profitability. Consequently, the Bank assumed control of Recovery Consultoria do Brasil, with a 50.24% interest.

Recovery and FC DAS provide advisory services on economic, financial and administrative issues in commercial and capital market fields, as well as on management of third parties' funds.

12. Open market funding

Open market funding is backed by the following securities:

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Own portfolio				
Financial Treasury Bills	**269,238**	71,696	**177,542**	71,696
National Treasury Bills	**311,890**	871,845	**311,890**	871,845
National Treasury Notes	**3,061,065**	1,736,591	**1,154,613**	1,727,475
Securities issued by foreign governments	**12,232,195**	6,259,245	**-**	-
Corporate bonds	**1,719,726**	565,638	**1,150,531**	-
	17,594,114	9,505,015	**2,794,576**	2,671,016
Third-party portfolio				
Financial Treasury Bills	**7,483,567**	2,683,539	**7,483,567**	2,683,539
National Treasury Bills	**2,273,332**	675,337	**2,254,512**	675,337
National Treasury Notes	**5,873,851**	3,065,492	**5,873,853**	3,065,492
Securities issued by foreign governments	**3,188,000**	-	**-**	-
	18,818,750	6,427,154	**15,611,932**	6,424,368
Freely-traded portfolio				
Financial Treasury Bills	**526,161**	-	**526,161**	-
National Treasury Notes	**974,640**	2,720,512	**974,638**	2,720,512
	1,500,801	2,720,512	**1,500,799**	2,720,512
	37,913,665	18,652,681	**19,907,307**	11,815,896

13. Acceptances and issuance of securities

	Consolidated		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Domestic securities				
Financial Treasury Bills	**4,176,564**	-	**4,174,411**	-
Letters of real estate credits / agribusiness	**1,455,268**	909,184	**1,455,269**	909,184
	5,631,832	909,184	**5,629,680**	909,184
Foreign securities				
Euro Medium-Term Notes	**293,234**	-	**-**	-
Sundry	**8,696**	450	**8,696**	-
	301,930	450	**8,696**	-
	5,933,762	909,634	**5,638,376**	909,184
Current amount	**1,323,535**	887,545	**1,318,140**	887,095
Long-term amount	**4,610,227**	22,089	**4,320,236**	22,089

14. Foreign borrowings

At June 30, 2011, the balance is mainly represented by revolving credit facilities, the balance of which is US$ 745,557 thousand (US$ 147,000 thousand in 2010), maturing up to June 30, 2012 (December 31, 2010, in 2010). In the consolidated financial statements, it also includes amounts taken as a whole with banks and brokers abroad.

15. Interbank accounts - onlending

Interbank onlending refer to prepaid amounts, by the subsidiary together with Banco Panamericano, referring to installments of granted direct-to-consumer credits and personal credits to be transferred amounting to R$ 425,519 (nil in 2010).

16. Other liabilities

a) Social and statutory

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Employees' profit sharing	**198,019**	103,407	**157,135**	74,926
Bonuses payable	**61,142**	20,963	**42,645**	15,225
	259,161	124,370	**199,780**	90,151
Current amount	**259,161**	103,407	**199,780**	74,926
Long-term amount	**-**	20,963	**-**	15,225

b) Tax and social security

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Taxes and contributions payable	**119,022**	42,126	**49,406**	1,979
Taxes and mandatory contributions payable	**82,928**	37,957	**38,014**	19,455
Deferred income and social contribution taxes (i)	**111,386**	46,526	**24,607**	46,507
Provision for tax risks	**185,503**	-	**-**	-
Taxes with suspended collection:				
Social integration program tax (PIS) (ii) (iii)	**34,805**	32,851	**27,846**	26,986
Social security financing tax (COFINS) (iii) (iv)	**401,225**	312,705	**384,334**	307,355
Social contribution tax (CSL)(ii) (iii)	**6,958**	7,445	**6,099**	6,592
Income tax (IRPJ) (iii)	**10**	1,506	**10**	1,506
Others (iii)	**9,836**	10,463	**5,893**	9,474
	951,673	491,579	**536,209**	419,854
Current amount	**211,370**	375,853	**87,420**	323,163
Long-term amount	**740,303**	115,726	**448,789**	96,691

(i) In 2010 it consists basically of income tax and social contribution on negative goodwill. In 2009 it also includes income tax and social contribution on net profit, calculated on the positive valuation at market value of marketable securities and derivative financial instruments and on the unrealized positive results of the derivative financial instruments, pursuant to Law Nº 11051/04.

(ii) It consists basically of: a) CSL - question of the rate applicable in the years 97/98 based on the tax parity principle; and b) PIS - question in court of constitutional amendments 01/94,10/96 and 17/97, as regards the principle of precedence and non-retroactivity of such standards.

(iii) Judicial deposits were made for these contingencies, which are presented under "Other receivables – sundry" for R$ 389,657 (R$ 374,823 in 2010) in the consolidated and R$ 370,639 (R$275,247 in 2010) in the Bank.

(iv) The constitutionality of article 3 of Law No. 9718/98 is under discussion. The Bank and its subsidiaries have been granted a preliminary injunction to pay COFINS only on service revenues.

16. Other liabilities (Continued)

c) Subordinated debt

The balance of subordinated debt fully from Panamericano, and refers to a debt in US dollars amounting to R$ 363,585, equivalent to US$ 254,070 (nil in 2010).

d) Technical provision for insurance and pension plan

Technical provisions fully from Panamericano at June 30, 2011 totaled R$ 40,163 (nil in 2010).

e) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Raising of FIDC funds	**561,122**	-	-	-
Amounts payable to establishments – credit card purchases	**170,175**	-	-	-
Liabilities for sale or transfer transactions Financing . Lease	**52,729**	-	-	-
Provision for accounts payable	**152,676**	46,289	**52,225**	16,621
Payables for acquisition of assets and rights	**461,388**	-	**454,687**	-
Provision for contingent liabilities	**80,382**	25,219	**28,177**	23,704
Payables to related parties	**85,311**	-	**1,607**	-
Consolidated fund shareholders	**6,540**	-		-
Others	**158,518**	22,642	**21,700**	14,595
	1,728,841	94,150	**558,396**	54,920
Current amount	1,103,347	68,442	75,532	31,217
Long-term amount	625,494	25,708	482,864	23,703

17. Shareholders' equity - bank

a) Capital

The Company's fully subscribed and paid-up capital comprises 2,400,000,000 (1,253,583,889 in 2010) shares, divided into 1,200,160,000 common shares (1,253,583,889 in 2010), 298,445,596 Class A preferred shares and 901,394,404 Class B preferred shares, all nominative with no par value.

The Special General Meeting held on April 30, 2010 and approved by the Central Bank of Brazil on December 8, 2010 approved the capital increase by R$ 7,079 through realization of capital reserve without issuance of new shares.

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 articles of incorporation, 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 1% of net income, adjusted in accordance with article 202 of Law No. 6404/76.

The board meetings held on March 18, April 26 and September 20, 2010 decided on prior years' dividends distribution for R$ 133,061 and R$ 13,000, respectively.

The Extraordinary General Meeting held on March 17, 2011 determined the payment of dividends amounting to R$ 210,000, referring to prior years.

18. 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 transactions involving marketable securities or rights and obligations. The risks underlying these transactions are managed by means of 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.	
	2011	**2010**	**2011**	**2010**
Federal government securities	**2,180,329**	390,577	**1,804,517**	8,252
Stock	**151,006**	462,489	**151,006**	248,505
Bank Deposit Certificates	**-**	24,523	**-**	24,523
Guarantees	**266,867**	110,000	**266,867**	110,000
	2,598,202	987,589	**2,222,390**	391,280

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 January 4, 2021 (October 1, 2018 in 2010), 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.

18. Derivative financial instruments --Continued

a) By index

	Consolidated			
	2011		2010	
	Long Position	Short Position	Long Position	Short Position
Futures contracts				
Foreign currency	**9,562,663**	**10,542,432**	1,591,560	1,105,547
Interest rate	**63,720,388**	**24,744,168**	9,094,777	18,056,343
Commodity	**491,351**	**502,305**	-	-
Indexes	**1,726,678**	**727,245**	92,783	71,488
	75,501,080	**36,516,150**	10,779,120	19,233,378
Swap				
Foreign currency	**4,325,277**	**4,508,670**	973,305	2,727,096
Interest rate	**13,917,797**	**7,436,537**	3,845,003	1,617,961
Commodity	**59,852**	**68,315**	-	-
Indexes	**875,222**	**545,134**	4,395,277	4,942,812
	19,178,148	**12,558,657**	9,213,585	9,287,869
Non-deliverable forward – NDF				
Foreign currency	**15,573,884**	**15,026,739**	4,082,498	3,142,265
Interest rate	**505,758**	**650,649**	525,651	1,522,018
	16,079,642	**15,677,388**	4,608,149	4,664,283
Deliverable forward – DF				
Foreign currency	**1,779,308**	**1,764,499**	2,505,438	2,505,901
Options contracts				
Financial assets				
Call option	**7,714,720**	**21,261,289**	8,973,551	16,046,543
Put option	**1,302,670**	**1,214,184**	8,053,529	13,449,661
	9,017,390	**22,475,473**	17,027,080	29,496,204
Stock				
Call option	**1,010,572**	**754,415**	235,366	136,588
Put option	**1,398,255**	**1,044,163**	325,141	232,911
	2,408,827	**1,798,578**	560,507	369,499
Fixed income				
Call option	**-**	**130,812**	-	-
	11,426,217	**24,404,863**	11,587,587	29,865,703

18. Derivative financial instruments --Continued

a) By index--Continued

	Banco BTG Pactual S.A.			
	2011		2010	
	Long Position	Short Position	Long Position	Short position
Futures contracts				
Foreign currency	**9,538,277**	**10,516,920**	1,424,062	917,570
Interest rate	**63,414,096**	**24,399,442**	9,046,654	18,035,727
Commodity	**489,401**	**450,254**	-	-
Indexes	**6,316**	**615,419**	68,562	63,924
	73,448,090	**35,982,035**	10,539,278	19,017,221
Swap				
Stock	**846,311**	**545,134**	-	-
Foreign currency	**4,310,838**	**4,501,002**	789,303	2,550,610
Interest rate	**13,894,180**	**7,419,181**	3,435,694	1,187,246
Commodity	**59,852**	**68,315**	-	-
Indexes	**28,911**	**-**	419,202	981,597
	19,140,092	**12,533,632**	4,644,199	4,719,453
Non-deliverable forward – NDF				
Foreign currency	**13,800,591**	**13,289,781**	1,463,877	524,867
Interest rate	**505,578**	**650,649**	525,651	1,522,018
	14,306,169	**13,940,430**	1,989,528	2,046,885
Deliverable forward – DF				
Foreign currency	**1,779,308**	**4,531,231**	-	-
	1,779,308	**4,531,231**	-	-
Options contracts				
Financial assets				
Call option	**7,714,720**	**21,261,289**	8,973,551	16,046,543
Put option	**1,302,670**	**1,211,832**	8,053,529	13,449,661
	9,017,390	**22,473,121**	17,027,080	29,496,204
Stock				
Call option	**745,854**	**538,860**	205,073	129,683
Put option	**1,315,841**	**1,006,506**	297,654	227,960
	2,061,695	**1,545,366**	502,727	357,643
Fixed income				
Call option	**-**	**130,812**	-	-
	-	**130,812**	-	-
	11,079,085	**24,149,299**	17,529,807	29,853,847

18. Derivative financial instruments --Continued

b) By maturity

	Consolidated				
	2011				2010
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**37,888,333**	**23,772,545**	**13,840,202**	**75,501,080**	10,779,120
Short position	**27,111,267**	**3,649,041**	**5,755,841**	**36,516,150**	19,233,378
Swap					
Short position	**9,947,417**	**3,279,574**	**5,942,585**	**19,169,576**	9,213,585
Long position	**7,179,295**	**1,244,405**	**4,134,957**	**12,558,657**	9,287,869
Non-deliverable forward - NDF					
Short position	**10,862,796**	**3,426,457**	**1,790,388**	**16,079,642**	4,608,149
Long position	**10,524,866**	**3,295,799**	**1,856,723**	**15,677,388**	4,664,283
Deliverable forward - DF					
Short position	**1,699,640**	**79,668**	**-**	**1,779,308**	2,505,438
Long position	**2,950,125**	**1,581,105**	**-**	**4,531,231**	2,505,901
Options contracts				**-**	
Financial assets					
Long position	**4,338,307**	**4,658,493**	**20,590**	**9,017,391**	17,027,080
Short position	**16,664,935**	**5,793,392**	**17,147**	**22,475,473**	29,496,204
Stock					
Long position	**2,334,100**	**57,089**	**17,639**	**2,408,828**	560,507
Short position	**1,301,842**	**226,461**	**-**	**1,528,303**	369,499
Fixed income					
Long position	**-**	**-**	**-**	**-**	-
Short position	**116,776**	**14,036**	**130,812**	**261,624**	-

18. Derivative financial instruments --Continued

b) By maturity--Continued

Banco BTG Pactual S.A.

	2011				2010
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**36,169,299**	**23,744,882**	**13,533,909**	**73,448,090**	10,539,278
Short position	**26,757,134**	**3,515,142**	**5,709,759**	**35,982,035**	19,017,221
Swap					
Long position	**9,938,983**	**3,272,277**	**5,928,831**	**19,140,091**	4,644,199
Short position	**7,172,162**	**1,237,954**	**4,123,516**	**12,533,632**	4,719,453
Non-deliverable forward - NDF					
Short position	**9,391,305**	**3,426,457**	**1,488,587**	**14,306,349**	1,989,528
Long position	**9,084,770**	**3,295,799**	**1,559,861**	**13,940,431**	2,046,885
Deliverable forward - DF					
Short position	**1,699,640**	**79,668**	**-**	**1,779,308**	-
Long position	**2,950,125**	**1,581,105**	**-**	**4,531,231**	-
Options contracts					
Financial assets					
Long position	**4,338,307**	**4,658,493**	**20,590**	**9,017,390**	17,027,080
Short position	**16,662,582**	**5,793,392**	**17,147**	**22,473,121**	29,496,204
Stock					
Long position	**2,021,622**	**40,073**	**-**	**2,061,696**	502,727
Short position	**1,331,312**	**214,054**	**-**	**1,545,366**	357,643
Fixed income					
Long position	**-**	**-**	**-**	**-**	-
Short position	**116,776**	**14,036**	**-**	**130,812**	-

19. 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 computer systems that support the decision-making process enables the 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 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.

19. Risk management -- Continued

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.

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 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 the New Basel Capital Accord is to be highlighted.

20. 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:

			At June 30 , 2011	
-	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Assets				
Other credits				
Income receivable				
- BTG Pactual Asset Management S.A.	Subsidiary	No maturity	461	12
- BTG Pactual Serviços Financeiros S.A.	Subsidiary	No maturity	12,410	12
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	2	12
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	17,258	-
Sundry				
- BTG Pactual Asset Management S.A.	Subsidiary	No maturity.	2	-
			30,133	36

20. Related parties - continued

			At June 30 , 2011	
	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Liabilities				
Deposits				
Demand deposits				
- BTG Pactual Asset Management S.A	Subsidiary	No maturity	(298)	-
- BTG Pactual Serviços Financeiros S.A	Subsidiary	No maturity	(731)	-
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A,	Subsidiary	No maturity	(1,079)	-
- BTG Pactual Corretora de Mercadorias S.A	Subsidiary	No maturity	(98)	-
- BTG Pactual Corporate Service Ltda	Subsidiary	No maturity	(19)	-
- BTG Pactual Gestora de Investimentos Alternativos S.A	Subsidiary	No maturity	(34)	-
- BTG Pactual Securitizadora S.A,	Subsidiary	No maturity	(98)	-
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	No maturity	(49)	-
- BTG Pactual Gestora de Recursos Ltda	Subsidiary	No maturity	(36)	-
- COOMEX - Operadora do Mercado Energético	Subsidiary	No maturity	(51)	-
- COOMEX - Serviços Energéticos Ltda	Subsidiary	No maturity	(1,066)	-
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	No maturity	(114)	-
- BTG Pactual Recovery Holdings S.A	Subsidiary	No maturity	(9)	-
Interbank deposits - related parties				
- BTG Pactual Asset Management S.A	Subsidiary	1/5/2011	(22,944)	(5,270)
- BTG Pactual Serviços Financeiros S.A	Subsidiary	12/22/2011	(89,569)	(4,735)
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A	Subsidiary	1/5//2011	(176,130)	(9,107)
Time deposits				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A	Subsidiary	12/8/2011	(67,210)	(3,503)
- BTG Pactual Corretora de Mercadorias S.A,	Subsidiary	12//8/2011	(31,048)	(1,689)
- BTG Pactual Securitizadora S.A	Subsidiary	10/28/2011	(4,818)	(308)
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	12/10/2011	(7,027)	(341)
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	6/18/2011	(6,913)	(172)
- BTG Pactual Gestora de Investimentos Altrnativos S.A	Subsidiary	12/10/2011	(6,457)	(338)
- COOMEX - Operadora do Mercado Energético	Subsidiary	12/30/2011	(115,637)	(2,385)
- BTG Pactual Gestora de Recursos Ltda	Subsidiary	11/26/2011	(17,138)	(115)
Other payables				
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A	Subsidiary	No maturity	(377)	-
- BTG Pactual Corretora de Mercadorias S.A	Subsidiary	No maturity	(450)	(3,007)
			(549,400)	(30,970)

20. Related parties - continued

			At June 30 , 2010	
-	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Assets				
Other credits				
Foreign exchange				
- BTG Pactual Banking Limited	Subsidiary	06/16/2011	1,495,632	-
Income receivable				
- BTG Pactual Asset Management S.A.	Subsidiary	No maturity	13,909	12
- BTG Pactual Serviços Financeiros S.A.	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	No maturity	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

20. Related parties - continued

			At June 30 , 2010	
	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Liabilities				
Deposits				
Demand deposits				
- BTG Pactual Asset Management S.A.	Subsidiary	No maturity	101	-
- BTG Pactual Serviços Financeiros S.A.	Subsidiary	No maturity	358	-
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	132	-
- BTG Pactual Corretora de Mercadorias S.A.	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 management personnel	Subsidiary	No maturity	936	-
Interbank deposits - related parties				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	07/28/2011	109,740	(4,173)
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	06/24/2011	46,578	(2,153)
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	07/05/2011	111,177	(5,386)
Time deposits				
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	06/17/2011	57,665	(2,499)
- BTG Pactual Corporate Service Ltda	Subsidiary	10/07/2011	4,436	(179)
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	06/10/2011	3,382	(105)
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	-	-	(1)
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	05/23/2011	3,812	(59)
- BTG Pactual Gestora de Recursos Ltda	Subsidiary	04/25/2011	10,076	(392)
Borrowings				
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	No maturity,	28	-
Borrowings abroad				
- BTG Pactual Banking Limited	Subsidiary	12/31/2010	264,983	(368)
Other payables				
Foreign exchange portfolio				
- BTG Pactual Banking Limited	Subsidiary	12/31/2010	1,487,739	-
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	07/05/2010	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)

20. Related parties - continued

Transactions with related parties from the proportional consolidation of the financial statements of the subsidiary Banco Panamericano S.A.

		At June 30 , 2011	From May 1 to June 30 , 2011
Interbank deposits (a)			
- Panamericano DTVM S.A.	Related	-	(20)
Time deposits (b)		-	
- Pessoal chave da administração	Related	-	(33)
- Perícia A. C. Seg. Previdência Privada Ltda.	Related	-	(27)
- Panamericano Prestadora de Serviços Ltda.	Related	-	(14)
- BF Utilidades Domesticas Ltda.	Related	-	(4)
- Vimave Vila Maria Veículos Ltda.	Related	-	(5)
- Vimave Pacaembu Veículos Ltda.	Related	-	(1)
- SSF Fomento Comercial Ltda.	Related	-	(1)
- TVSBT Canal 4 de São Paulo S.A.	Related	-	(12)
- Braspag Tecnologia Pagamento Ltda.	Related	-	(3)
- Panamericano Adm. de Cartões de Crédito Ltda.	Related	-	(216)
Autopan FIDC (c)			
- Key management personnel	Related	(59,598)	(148)
Master PanFIDC (c)			
- Key management personnel	Related	(3,051)	(16)
Other payables (d)			
- Caixa Econômica Federal	Related	(94,376)	
Other administrative expenses (e)			
- Panamericano DTVM S.A.	Related	-	(253)
- Panamericano Prestadora de Serviços Ltda.	Related	-	(7,563)
- Panamericano Adm. de Cartões de Crédito Ltda.	Related	-	(1,603)
- BF Utilidades Domésticas Ltda.	Related	-	(88)
- BF Par Utilidades Domésticas Ltda	Related	-	(90)
- Panseg Promoções e Vendas Ltda.	Related	-	(3)
- Promolider Promotora Vendas Ltda.	Related	-	(8)
- Silvio Santos Participações Ltda.	Related	-	(2)
- GSS Centro de Serviços Compartilhados Ltda.	Related	-	(24)
- Panamericano Com. Prod. e Serv. Ltda	Related	-	(117)
Result in the transfer of credit (f)			
- Caixa Econômica Federal	Related	-	52,582

(a) This refers to raising of funds trough interbank deposits at CDI-equivalent rates;
(b) This refers to raising of funds through term deposits in the Bank;
(c) This refers to raining of funds through FIDC quotas;
(d) This refers to collection amounts and insurance premiums to be transferred which were raised through associated companies, services rendered, prepaid installments of credit granted and intermediation of securities by DTVM.
(e) This refers to other administrative expenses with services rendered by associated companies;
(f) This refers to income from credit granted.

The total compensation paid to key personnel in the period was in the amount of R$ 1,663, in the consolidated, and R$ 1,521, in the bank, which is considered a short-term benefit.

21. Income from services rendered

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Management fees and performance Bonuses for investment funds and Portfolio	**194,058**	179,882	**53,075**	68,714
Stock exchange brokerage	**42,623**	41,446	**3**	154
Technical advisory services	**182,879**	83,455	**180,172**	82,624
Commission on the placement of securities	**52,722**	36,724	**50,969**	33,905
Panamericano revenue (*)	**25,859**	-		-
Other services	**25,861**	10,407	**25,897**	10,392
	524,002	351,914	**310,116**	195,789

(*) Panamericano revenue mainly comprises revenue from services related to loans, credit card and collection services.

22. Other operating income

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Recovery of changes and expenses	**142**	25	**82**	15
Reversal of provisions – other	**169**	41,622	**-**	41,432
Income from trade of energy	**90,834**	-	-	-
Reversal of provisions - contingencies	**7,036**	-	**4,719**	-
Monetary restatement of judicial deposits	**6,368**	10,378	**5,614**	10,042
Asset monetary variation	**10,804**	-	**10,804**	-
Revenue from loans – abroad	**3,703**	-	-	-
Operating risk	**7,632**	-	**7,632**	-
Other operating revenues - Panamericano (*)	**18,007**	-	-	-
Other operating revenue	**1,512**	28,175	**2,561**	6,111
	146,207	80,200	**31,412**	57,600

(*) Revenue from Panamericano mainly comprises monetary restatement of amounts receivable – disposal, redemption of insurance premium and provision reversal.

23. Other operating expenses

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Other operating provision	**9,686**	1,071	**8,404**	-
Monetary variation	**4,687**	15,691	**1,431**	-
Other operating expenses – Panamericano (*)	**44,213**	-	**-**	-
Operating risk	**7,622**	-	**7,612**	-
Other services	**9,782**	7,634	**6,171**	585
	75,990	24,396	**23,618**	585

(*) Other operating expenses from Panamericano mainly comprise expenses from assignment of credit and financing and liability monetary variation.

24. 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:

	2011		2010	
	IRPJ	**CSL**	**IRPJ**	**CSL**
Income before income tax, social contribution tax and employees' profit or gain sharing - parent company	**811,016**	**811,016**	438,692	438,692
Profit sharing	**(157,054)**	**(157,054)**	(74,282)	(74,282)
Tax base - parent company	**653,962**	**653,962**	364,410	364,410
Tax rate	**25%**	**15%**	25%	15%
Income and social contribution taxes - subsidiaries	**(163,479)**	**(98,094)**	(91,090)	(54,661)
Non-deductible provisions	**(48,427)**	**(29,055)**	(31,575)	(18,945)
Net income from subsidiaries abroad	**(32,119)**	**(19,271)**	(10,387)	(6,232)
Results from mark-to-market valuation	**14,868**	**8,921**	(2,239)	(1,343)
Provision for taxes with suspended collection	**(6,701)**	**(4,021)**	(6,383)	(3,830)
Amortization of goodwill	**115,831**	**69,499**	112,199	67,319
Permanent additions/exclusions - net effect (i)	**57,655**	**34,655**	26,742	16,052
Result from unsettled derivatives	**4,055**	**2,433**	962	580
Tax loss carryforwards	**17,477**	**10,480**	535	318
Current provision - parent bank	**(40,840)**	**(24,453)**	(1,236)	(742)
Results from mark-to-market valuation	**(14,868)**	**(8,921)**	2,239	1,343
Unrealized gains (losses) on derivatives	**(4,055)**	**(2,433)**	(962)	(580)
Deferred provision - parent company	**(18,923)**	**(11,354)**	1,277	763
Total provision - parent company	**(59,763)**	**(35,807)**	41	21
Tax loss carryforwards	**(17,477)**	**(10,480)**	(535)	(318)
Results from mark-to-market valuation	**-**	**-**	(1,105)	1,414
Non-deductible provisions	**49,010**	**29,406**	34,235	20,541
Provision for taxes with suspended collection	**6,701**	**4,021**	6,383	3,521
Tax credit on goodwill upon Bank's acquisition	**(115,831)**	**(69,498)**	(57,709)	(34,626)
Deferred tax assets - parent company	**(77,597)**	**(46,551)**	(18,731)	(9,468)
Income and social contribution taxes - parent company	**(137,360)**	**(82,358)**	(18,690)	(9,446)
Income and social contribution taxes - parent company	**(219,718)**		(28,136)	
Income and social contribution taxes - subsidiaries	**(53,256)**		(38,447)	
Income and social contribution taxes - consolidated	**(272,974)**		(66,583)	

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

24. 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 :

		Consolidado			
		2011		2010	
	Expected realization	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward	2012 a 2020	373,399	-	111,310	-
Base negativa de contribuição social	2012 a 2020	-	221,538	-	65,265
Temporary additions				-	-
Goodwill upon Bank's acquisition	2011 a 2015	169,646	101,788	402,217	241,331
Provision for taxes with suspended collection COFINS	2012	82,822	31,374	66,853	21,792
Provision for employees' profit sharing	-	49,052	28,435	25,134	14,941
Provision for bonuses payable	2012	19,342	11,285	7,036	4,186
Provision for taxes with suspended collection - PIS	2013	3,054	1,406	2,821	1,265
Valuation allowance - securities and investments	2013	15,817	9,491	7,069	4,242
Goodwill on investment acquisition	2013	867	-	867	-
Provision for civil contingencies	2013	9,928	5,932	541	325
Provision for labor contingencies	2013	4,075	2,258	3,364	2,018
Allowance for loan losses	2013	46,444	27,866		
Accumulated tax loss carryforward	2011 a 2015	101,127	60,676	78,229	46,938
Provision for marked-to-market valuation	2011	6,626	3,978	-	-
Provision for payables for securities trading and brokerage	2012 -	13,881	8,329	13,881	8,329
Provision for equity losses	-	4,779	2,868	-	-
Unrealized profit and other consolidation adjustments	2011 a 2020	28,296	16,979		
Total		929,155	534,203	719,322	410,632

24. Income and social contribution taxes - Continued

	Banco BTG Pactual S/A				
		2011		2010	
	Expected realization	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward	2012 to 2020	83,657	-	111,310	-
Social contribution tax losses	2012 to 2020	-	48,681	-	65,265
Temporary additions				-	-
Goodwill upon Bank's acquisition	2011 to 2015	169,646	101,788	402,217	241,331
Provision for taxes with suspended collection COFINS	2012	78,966	29,240	63,778	20,127
Provision for employees' profit sharing	-	39,284	23,570	18,738	11,243
Provision for bonuses payable	2012	13,830	8,298	5,213	3,128
Provision for taxes with suspended collection - PIS	2013	2,062	928	2,062	928
Valuation allowance - securities and investments	2013	7,069	4,242	7,069	4,242
Goodwill on investment acquisition	2013	867	-	867	-
Provision for civil contingencies	2013	941	564	541	325
Provision for labor contingencies	2013	2,456	1,473	2,581	1,549
Allowance for loan losses	2011 to 2015	46,948	28,169	78,229	46,938
Total		445,726	246,953	692,605	395,076

In light of the expected realization of deferred tax assets, the present value of this credit is estimated at R$ 1,066,845 (R$ 770,437 in 2010) in the consolidated and R$ 590,478 (R$ 732,292 in 2010) in the Bank.

Deferred tax liabilities of R$ 111,386 (R$ 46,526 in 2010 in the consolidated and R$ 24,607 (R$ 46,507 in 2010) for the Bank were accrued, as shown in Note 14(b).

25. Other Information

(a) Commitments and responsibilities

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

	Consolidado		Banco BTG Pactual S.A.	
	2011	2010	2011	2010
Co-obligation and risks for guarantees given (i)	**1,573,911**	366,639	**1,433,484**	366,639
Responsibility for the management of investment funds and portfolio management (ii)	**142,921,539**	83,332,321	**39,425,467**	8,871,034
Securities under custody (iii)	**138,575,828**	45,952,586	**63,478,582**	44,927,499
Securities trading and brokerage (iv)	**1,397,307,986**	532,229,945	**1,174,938,203**	251,425,915

(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. Other Information - Continued

(b) Other values and goods

At June 30, 2011, in consolidated financial statements, mainly represented by assets not for own use amounting to R$ 21,248, and commissions paid to retailers and promoters amounting to R$ 95,274. Both amounts are from Banco Panamericano S.A.

26. 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.

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

a) Contingent assets

At June 30, 2011 and 2010, 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 probable unfavorable outcome (pain and suffering and property damages, among others), 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.

.

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, 2011 are adequate to cover any losses arising therefrom.

	Consolidated		Banco BTG Pactual S.A.	
	2011	**2010**	**2011**	**2010**
Balance at beginning of semester	**446,059**	348,723	**420,011**	335,569
Set up	**39,425**	44,177	**37,081**	42,064
Accounting reclassification	**-**	-	**-**	-
Write of	**(5,327)**	(2,712)	**(4,733)**	(2,016)
Panamericano incorporation	**238,562**			
Balance at end of semester	**718,719**	390,188	**452,359**	375,617

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

c) Breakdown and changes in provisions in the period (Continued)

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.

27. 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 3366/07, 3368/07, 3383/08, 3388/08 and 3389/08, the guidelines for calculation of the credit risk, market risk and operating risk.

27. Operating limits -Continued

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

.

	2011	2010
Reference shareholders' equity (PR)	**8,252,849**	5,567,094
Shareholders' equity	**5,392,593**	5,602,593
Tax credits excluded from PR tier I	**(3,983)**	(3,857)
Deferred permanent assets	**(9,885)**	(11,073)
Deductions from PR	**(483,810)**	(20,569)
Required reference shareholders' equity (PRE)	**3,839,798**	2,841,792
Credit risk	**2,542,486**	1,631,880
Market risk	**1,066,094**	943,183
Operating risk	**231,218**	266,729
Excess PR: (PR-PRE)	**4,413,051**	2,725,302
Basel index: (PRx100)/PRE/0.11)	**23.64%**	21.55%

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

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:

	2011	2010
Capital expenditures limit (50%):	**4,123,554**	2,781,409
Reference shareholders' equity	**8,247,107**	5,562,818
Equity	**(6)**	(4,276)
Status of real estate development limit:	**2,161,845**	2,256,144
Permanent assets	**860,522**	393,088
Deferred permanent assets	**(9,885)**	(11,073)
Equity	**(6)**	(4,276)
Intangible assets excluded from real estate development limit	**(17,342)**	(174,832)
Interest in subsidiaries and BACEN-authorized controlled companies	**(467,181)**	-
Variable income securities under current assets	**1,795,737**	2,053,237
Margin	**1,961,708**	525,265

At June 30, 2011 and 2010, all operating limits are duly complied with.

28. Subsequent events

On July 8, 2011, the Bank issued trade notes amounting to US$ 500,000 thousand with half annually payment of interest on January 8 and July 8 of each year,,maturing on July 8, 2016.

On July 27, 2011, BACEN approved the indirect acquisition by the Bank of all shares representing the equity capital of (i) BTG Pactual US Asset Management Corp., headquartered in New York, USA; (ii) BTG Pactual Asia Ltd., headquartered in Hong Kong, China; (iii) BTG Pactual US Capital Corp., headquartered in Delaware; (iv) BTG Pactual Global Asset Management Ltd., headquartered in Bermuda; BTG Pactual Carry LP, headquartered in George Town, Cayman Islands; (v) and of 99.3% of shares representing the equity capital of BTG Pactual Europe LLP., headquartered in London, England, as determined in the Ordinary General Meeting held on August 31, 2010.

On July 19, 2011, the Bank filed a Company registration application with the Brazilian Securities and Exchange Commission (CVM).