Financial Statements

Banco BTG Pactual S.A. and Subsidiaries

(Formerly Banco UBS Pactual S.A.)

December, 31 2009 and 2008
with Report of Independent Auditors

BANCO BTG PACTUAL S.A. AND SUBSIDIARIES

(Formerly Banco UBS Pactual S.A.)

Financial Statements

December, 31 2009 and 2008

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

Report of independent auditors

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

We have audited the accompanying balance sheets of Banco BTG Pactual S.A. and the consolidated balance sheets of Banco BTG Pactual S.A. and subsidiaries as of December 31, 2009 and 2008 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

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

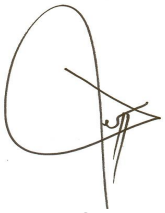
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. and the consolidated financial position of Banco BTG Pactual S.A. and subsidiaries at December 31, 2009 and 2008, and the results of their operations, changes in their shareholders' equity and their cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Rio de Janeiro, February 12, 2010

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



Eduardo Wellichen
Partner



Flávio Serpejante Peppe
Partner

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

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Balance sheets
December 31, 2009 and 2008
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Assets				
Current assets	**19,939,674**	16,289,424	**16,598,375**	14,598,385
Cash and cash equivalents	**62,627**	61,028	**2,010**	699
Short-term interbank investments	**11,145,060**	3,145,979	**10,649,836**	2,562,294
Open market investments	**10,579,200**	2,360,793	**10,574,990**	2,360,793
Interbank deposits	**565,860**	785,186	**74,846**	201,501
Marketable securities and derivative financial instruments	**5,616,457**	4,784,775	**3,654,886**	3,854,229
Own portfolio	**3,620,541**	1,864,991	**2,367,489**	1,354,733
Subject to repurchase agreements	**513,217**	1,094,044	**343,151**	879,427
Derivative financial instruments	**871,802**	1,133,686	**386,627**	978,841
Subject to guarantees	**610,897**	692,054	**557,619**	641,228
Interbank transactions	**25,639**	77,050	**25,639**	77,050
Restricted deposits				
Central Bank of Brazil	**25,617**	75,795	**25,617**	75,795
SFH - Brazilian Housing System	**-**	1,144	**-**	1,144
Correspondents	**22**	111	**22**	111
Loans	**726,350**	578,673	**719,856**	574,400
Loans – private sector	**782,582**	608,423	**776,088**	604,150
Allowance for loan losses	**(56,232)**	(29,750)	**(56,232)**	(29,750)
Other receivables	**2,361,558**	7,641,118	**1,544,594**	7,528,912
Foreign exchange portfolio	**706,554**	6,708,164	**706,554**	6,708,164
Income receivable	**198,263**	200,786	**130,991**	247,710
Securities trading and brokerage	**1,022,565**	562,315	**272,587**	436,821
Sundry	**435,911**	180,370	**436,197**	146,682
Allowance for losses on other receivables	**(1,735)**	(10,517)	**(1,735)**	(10,465)
Other assets	**1,983**	801	**1,554**	801
Other assets	**170**	194	**170**	194
Prepaid expenses	**1,813**	607	**1,384**	607
Long-term assets	**1,918,726**	2,920,865	**1,862,407**	2,797,011
Marketable securities and derivative financial instruments	**44,838**	85,243	**41,689**	84,005
Derivative financial instruments	**44,838**	85,243	**41,689**	84,005
Interbank transactions	**-**	13,117	**-**	13,117
Restricted deposits				
SFH - Brazilian Housing System	**-**	13,117	**-**	13,117
Loans	**644,856**	1,016,626	**641,189**	1,010,819
Loans – private sector	**676,314**	1,032,971	**668,268**	1,027,164
Allowance for loan losses	**(31,458)**	(16,345)	**(27,079)**	(16,345)
Other receivables	**1,229,032**	1,805,879	**1,179,529**	1,689,070
Foreign exchange portfolio	**19,978**	1,113	**19,978**	1,113
Income receivable	**-**	81	**-**	65
Securities trading and brokerage	**62**	81	**62**	52
Sundry	**1,259,009**	1,811,371	**1,209,506**	1,694,607
Allowance for losses on other receivables	**(50,017)**	(6,767)	**(50,017)**	(6,767)
Permanent assets	**56,410**	60,548	**891,208**	1,542,545
Investments	**4,242**	5,389	**843,445**	1,487,918
Subsidiary companies – in Brazil	**-**	-	**386,620**	985,126
Subsidiary companies – abroad	**-**	-	**454,234**	500,459
Other investments	**7,229**	8,376	**5,458**	5,200
Allowance for losses	**(2,987)**	(2,987)	**(2,867)**	(2,867)
Property and equipment in use	**30,518**	32,647	**26,401**	32,212
Other property and equipment in use	**50,556**	45,011	**45,415**	44,156
Accumulated depreciation	**(20,038)**	(12,364)	**(19,014)**	(11,944)
Deferred charges	**19,156**	22,512	**18,868**	22,415
Organization and expansion costs	**29,038**	28,801	**28,703**	28,703
Accumulated amortization	**(9,882)**	(6,289)	**(9,835)**	(6,288)
Intangible assets	**2,494**	-	**2,494**	-
Other intangible assets	**2,773**	-	**2,773**	-
Accumulated amortization	**(279)**	-	**(279)**	-
Total assets	**21,914,810**	19,270,837	**19,351,990**	18,937,941

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Balance sheets
December 31, 2009 and 2008
(In thousands of reais)

	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Liabilities and shareholders' equity				
Current liabilities	**17,178,197**	14,140,338	**14,634,169**	14,066,418
Deposits	**4,274,571**	2,665,947	**3,129,115**	3,333,056
Demand deposits	**1,278,016**	411,462	**67,066**	138,612
Interbank deposits - related parties	**-**	-	**276,570**	932,551
Interbank deposits	**217,776**	912,695	**217,776**	912,695
Time deposits	**2,771,830**	1,337,801	**2,560,215**	1,345,209
Other deposits	**6,949**	3,989	**7,488**	3,989
Open market funding	**9,056,616**	1,984,972	**8,902,543**	1,779,377
Own portfólio	**490,927**	1,068,472	**340,975**	862,877
Third-party portfólio	**6,984,211**	596,474	**6,980,090**	596,474
Freely-traded portfólio	**1,581,478**	320,026	**1,581,478**	320,026
Funds from securities issued and accepted	**323,916**	129,969	**323,916**	20,733
Real estate bonds	**323,916**	20,733	**323,916**	20,733
Liabilities for foreign securities	**-**	109,236	**-**	-
Interbank transactions	**1**	-	**1**	-
Unsettled receipts and payments	**1**	-	**1**	-
Borrowings	**60,948**	477,324	**7,655**	474,882
Foreign borrowings	**60,948**	477,324	**7,655**	474,882
Local onlending – official institutions	**323**	2,793	**323**	2,793
FINAME - Special Agency for Industrial Financing	**323**	2,793	**323**	2,793
Foreign onlending	**-**	231,482	**-**	231,482
Foreign onlending	**-**	231,482	**-**	231,482
Derivative financial instruments	**854,732**	969,183	**377,617**	754,612
Derivative financial instruments	**854,732**	969,183	**377,617**	754,612
Other liabilities	**2,607,090**	7,678,668	**1,892,999**	7,469,483
Collection of taxes and mandatory contributions	**3,187**	440	**2,915**	237
Foreign exchange portfólio	**744,270**	6,719,714	**744,270**	6,719,714
Social and statutory	**227,206**	243,054	**159,289**	182,475
Tax and social security	**343,312**	197,903	**286,864**	82,744
Securities trading and brokerage	**1,231,223**	484,628	**670,295**	462,251
Sundry	**57,892**	32,929	**29,366**	22,062
Long-term liabilities	**1,483,716**	1,263,307	**1,464,924**	1,004,331
Deposits	**1,248,144**	354,855	**1,248,144**	354,855
Time deposits	**1,248,144**	354,855	**1,248,144**	354,855
Funds from securities issued and accepted	**6,294**	-	**6,294**	-
Real estate bonds	**6,294**	-	**6,294**	-
Local onlending – official institutions	**-**	341	**-**	341
FINAME - Special Agency for Industrial Financing	**-**	341	**-**	341
Derivative financial instruments	**76,869**	78,196	**76,382**	78,196
Derivative financial instruments	**76,869**	78,196	**76,382**	78,196
Other liabilities	**152,409**	829,915	**134,104**	570,939
Foreign exchange portfolio	**20,127**	1,128	**20,127**	1,128
Social and statutory	**-**	404,439	**-**	227,079
Tax and social security	**109,061**	402,048	**92,559**	323,496
Securities trading and brokerage	**2,040**	-	**2,040**	-
Sundry	**21,181**	22,300	**19,378**	19,236
Deferred income	**8,397**	1,977	**8,397**	1,977
Shareholders' equity	**3,244,500**	3,865,215	**3,244,500**	3,865,215
Capital – local residents	**555,007**	195,617	**555,007**	195,617
Capital - foreign residents	**-**	359,390	**-**	359,390
Capital reserves	**7,079**	7,079	**7,079**	7,079
Income reserves	**831,048**	877,272	**831,048**	877,272
Retained earnings	**1,851,366**	2,425,857	**1,851,366**	2,425,857
Total liabilities and shareholders' equity	**21,914,810**	19,270,837	**19,351,990**	18,937,941

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of income
Years and semester ended December 31, 2009 and 2008
(In thousands of reais, except per share information)

	Consolidated			Banco BTG Pactual S.A.		
	2009 2nd Semester	2009 Year	2008 Year	2009 2nd Semester	2009 Year	2008 Year
Financial income	**1,114,058**	**2,022,145**	1,709,737	**1,081,279**	**1,990,539**	1,589,822
Loans	**80,173**	**189,509**	249,599	**72,949**	**180,853**	239,815
Marketable securities	**1,000,632**	**1,689,064**	1,338,642	**976,830**	**1,669,579**	1,268,898
Foreign exchange	**33,253**	**143,572**	111,214	**31,500**	**140,107**	70,827
Compulsory investments	**-**	**-**	10,282	**-**	**-**	10,282
Financial expenses	**(757,469)**	**(1,506,242)**	(1,093,706)	**(786,124)**	**(1,486,581)**	(1,154,991)
Funding operations	**(546,005)**	**(1,071,196)**	(1,189,973)	**(583,974)**	**(1,135,292)**	(1,240,747)
Borrowings and onlending	**(144,556)**	**(155,182)**	490,409	**(127,026)**	**(133,541)**	468,271
Derivative financial instruments	**(27,117)**	**(26,305)**	(352,955)	**(22,380)**	**(22,289)**	(341,328)
Allowance for losses on loans and other receivables	**(39,791)**	**(253,559)**	(41,187)	**(52,744)**	**(195,459)**	(41,187)
Gross financial income	**356,589**	**515,903**	616,031	**295,155**	**503,958**	434,831
Other operating income (expenses)	**746,681**	**869,898**	170,429	**625,746**	**638,000**	419,324
Income from services rendered	**451,270**	**671,241**	956,169	**273,785**	**362,183**	493,545
Personnel expenses	**(80,244)**	**(180,960)**	(591,774)	**(63,817)**	**(139,223)**	(307,217)
Other administrative expenses	**(93,868)**	**(158,794)**	(164,504)	**(87,283)**	**(144,558)**	(135,674)
Tax charges, other than income taxes	**(85,998)**	**(127,622)**	(151,428)	**(72,690)**	**(101,575)**	(106,455)
Equity pickup from subsidiaries	**-**	**-**	-	**190,645**	**214,175**	293,271
Other operating income	**581,875**	**702,325**	135,820	**393,160**	**459,226**	201,177
Other operating expenses	**(26,354)**	**(36,292)**	(13,854)	**(8,054)**	**(12,228)**	(19,323)
Operating income	**1,103,270**	**1,385,801**	786,460	**920,901**	**1,141,958**	854,155
Non-operating income	**1,375**	**8,031**	391,136	**1,055**	**3,278**	132,913
Income before taxes and profit sharing	**1,104,645**	**1,393,832**	1,177,596	**921,956**	**1,145,236**	987,068
Income and social contribution taxes	**(356,302)**	**(477,374)**	(85,023)	**(242,556)**	**(322,096)**	40,587
Provision for income tax	**82,484**	**(39,712)**	(171,848)	**87,257**	**1,081**	(10,548)
Provision for social contribution tax	**48,910**	**(23,064)**	(90,249)	**52,336**	**581**	(11,381)
Deferred tax assets	**(487,696)**	**(414,598)**	177,074	**(382,149)**	**(323,758)**	62,516
Employees' statutory profit or gain sharing	**(232,200)**	**(287,173)**	(253,756)	**(163,257)**	**(193,855)**	(188,838)
Net income for the semester/year	**516,143**	**629,285**	838,817	**516,143**	**629,285**	838,817
Number of outstanding shares at the end of the semester/year				1,253,583,889	1,253,583,889	1,253,583,889
Earnings per share - R$				0.41	0.50	0.67

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of changes in shareholders' equity
Years and semester ended December 31, 2009 and 2008
(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, 2007	555,007	6,847	111,002	267,510	444,005	822,517	2,444,835	3,829,206
Restatement of stock exchange membership certificate	-	232	-	-	-	-	-	232
Net income for the year	-	-	-	-	-	-	838,817	838,817
Appropriation of net income								
Unrealized income reserve	-	-	-	54,755	-	54,755	(54,755)	-
Dividends distributed (R$ 0.64 per share)	-	-	-	-	-	-	(803,040)	(803,040)
Balances at December 31, 2008	555,007	7,079	111,002	322,265	444,005	877,272	2,425,857	3,865,215
Balances at December 31, 2008	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,425,857**	**3,865,215**
Dividends distributed (R$ 0.84 per share)	-	-	-	-	**(444,005)**	**(444,005)**	**(611,517)**	**(1,055,522)**
Reversal of reserves	-	-	-	**(46,224)**	-	**(46,224)**	**46,224**	**-**
Set up of reserves	-	-	-	-	**9,198**	**9,198**	**(9,198)**	**-**
Net income for the year	-	-	-	-	-	-	**629,285**	**629,285**
Appropriation of net income								
Unrealized income reserve	-	-	-	-	**434,807**	**434,807**	**(434,807)**	-
Dividends distributed (R$ 0.16 per share)	-	-	-	-	-	-	**(194,478)**	**(194,478)**
Balances at December 31, 2009	**555,007**	**7,079**	**111,002**	**276,041**	**444,005**	**831,048**	**1,851,366**	**3,244,500**
Balances at June 30, 2009	**555,007**	**7,079**	**111,002**	**322,265**	**444,005**	**877,272**	**2,538,999**	**3,978,357**
Dividends distributed (R$ 0.93 per share)	-	-	-	-	**(444,005)**	**(444,005)**	**(724,659)**	**(1,168,664)**
Reversal of reserves	-	-	-	**(46,224)**	-	**(46,224)**	**46,224**	-
Set up of reserves	-	-	-	-	**9,198**	**9,198**	**(9,198)**	-
Net income for the semester	-	-	-	-	-	-	**516,143**	**516,143**
Appropriation of net income								
Unrealized income reserve	-	-	-	-	**434,807**	**434,807**	**(434,807)**	-
Dividends distributed (R$ 0.06 per share)	-	-	-	-	-	-	**(81,336)**	**(81,336)**
Balances at December 31, 2009	**555,007**	**7,079**	**111,002**	**276,041**	**444,005**	**831,048**	**1,851,366**	**3,244,500**

See accompanying notes.

BANCO BTG PACTUAL S.A.

(Formerly Banco UBS Pactual S.A.)

Statements of cash flows
Years and semester ended December 31, 2009 and 2008

	Consolidated			Banco BTG Pactual S.A.		
	2009	2009	2008	2009	2009	2008
	2nd Semester	Year	Year	2nd Semester	Year	Year
Operating activities						
Net income for the semester/year	**516,143**	**629,285**	838,817	**516,143**	**629,285**	838,817
Adjusted net income	**5,684**	**11,181**	9,326	**(244,567)**	**(262,679)**	(284,126)
Equity pickup from subsidiaries	**-**	**-**	-	**(190,645)**	**(214,175)**	(293,271)
Depreciation and amortization	**5,684**	**11,181**	9,405	**5,476**	**10,894**	9,145
Interest on equity capital	**-**	**-**	-	**(59,398)**	**(59,398)**	-
(Gain)/loss on the sale of other investments	**-**	**-**	(79)	**-**	**-**	-
Adjusted net income for the semester/year	**521,827**	**640,466**	848,143	**271,576**	**366,606**	554,691
(Increase)/decrease in short-term interbank investments	**(2,539,426)**	**(2,672,352)**	871,274	**(2,556,220)**	**(2,672,352)**	871,274
(Increase)/decrease in marketable securities and derivative instruments	**(1,870,928)**	**(907,055)**	4,225,939	**(642,801)**	**(137,150)**	3,053,780
(Increase)/decrease in loans	**(342,266)**	**224,093**	(435,501)	**(359,899)**	**224,174**	(433,938)
(Increase)/decrease in other receivables and other assets	**141,660**	**5,855,225**	(5,466,195)	**575,210**	**6,493,106**	(6,175,399)
(Increase)/decrease in interbank transactions	**8,286**	**64,528**	319,006	**8,286**	**64,528**	319,006
(Decrease)/increase in interbank transactions (liabilities)	**1**	**1**	-	**1**	**1**	-
(Decrease)/increase in other liabilities	**(88,514)**	**(5,749,084)**	670,012	**(148,759)**	**(6,013,319)**	1,350,351
(Decrease)/increase in deferred income	**6,973**	**6,420**	531	**6,973**	**6,420**	531
Interest on equity capital	**-**	**-**	-	**59,398**	**59,398**	-
Dividends from subsidiaries	**-**	**-**	-	**858,907**	**858,907**	92,016
Cash generated from/(used in) operating activities	**(4,162,387)**	**(2,537,758)**	1,033,209	**(1,927,328)**	**(749,681)**	(367,688)
Investing activities						
Sale of investments	**154**	**2,218**	47,211	**-**	**813**	16,512
Sale of property and equipment in use	**-**	**1,277**	8,672	**-**	**1,277**	8,198
Acquisition of investments	**(4,509)**	**(5,229)**	(1,513)	**(350)**	**(1,070)**	(530)
Acquisition of property and equipment in use	**(1,059)**	**(2,536)**	(15,908)	**(1,059)**	**(2,536)**	(15,849)
Investment in deferred charges	**1,369**	**-**	(10,706)	**1,369**	**-**	(10,692)
Acquisition of intangible assets	**(2,773)**	**(2,773)**	-	**(2,773)**	**(2,773)**	-
Cash generated from/(used in) investing activities	**(6,818)**	**(7,043)**	27,756	**(2,813)**	**(4,289)**	(2,361)
Financing activities						
Increase/(decrease) in deposits	**2,899,785**	**2,501,913**	(1,052,346)	**915,514**	**689,348**	(609,464)
Increase/(decrease) in open market funding	**7,459,977**	**7,071,644**	(3,178,160)	**7,378,681**	**7,123,166**	(2,810,872)
Increase/(decrease) in borrowings and onlending	**(77,829)**	**(650,669)**	349,098	**(131,122)**	**(701,520)**	346,664
Increase/(decrease) in funds from securities issued and accepted	**306,516**	**200,241**	(892,762)	**306,516**	**309,477**	20,733
Dividends distributed	**(1,250,000)**	**(1,250,000)**	(803,040)	**(1,250,000)**	**(1,250,000)**	(803,040)
Cash generated from/(used in) financing activities	**9,338,449**	**7,873,129**	(5,577,210)	**7,219,589**	**6,170,471**	(3,855,979)
Increase/(decrease) in cash and cash equivalents	**5,169,244**	**5,328,328**	(4,516,245)	**5,289,448**	**5,416,501**	(4,226,028)
Cash and cash equivalents						
At beginning of the semester/year	**3,160,244**	**3,001,160**	7,517,405	**2,484,199**	**2,357,146**	6,583,174
At end of the semester/year	**8,329,488**	**8,329,488**	3,001,160	**7,773,647**	**7,773,647**	2,357,146
Increase/(decrease) in cash and cash equivalents	**5,169,244**	**5,328,328**	(4,516,245)	**5,289,448**	**5,416,501**	(4,226,028)

See accompanying notes.

1. Operations

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

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

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

2. Presentation of financial statements

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

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

3. Consolidated financial statements

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

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

	Share in total capital - %	
	2009	**2008**
Direct subsidiaries		
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	**99.99**	99.99
BTG Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99
BTG Pactual Corporate Services Ltda.	**99.40**	99.40
BTG Pactual Securitizadora S.A.	**99.99**	99.99
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96
BTG Pactual Banking Limited	**100.00**	100.00
Indirect subsidiaries		
BTG Pactual Gestora de Investimentos Alternativos Ltda.	**99.98**	99.98
BTG Pactual WM Gestão de Recursos Ltda.	**99.99**	99.99
BTG Pactual Overseas Corporation	**100.00**	100.00
BTG Pactual Gestora de Recursos Ltda.	**99.99**	-

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

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

4. Significant accounting practices

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

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

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

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

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

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.

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

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

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

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

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

4. Significant accounting practices --Continued

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

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

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

n) The provision for income and social contribution taxes is established based on accounting profit adjusted by additions and exclusions defined in tax legislation. Deferred income and social contribution taxes are calculated on temporary differences where the realization of such amounts is considered to be probable. Income tax is calculated at 15% plus a 10% surcharge on annual taxable profit in excess of R$ 240. Social contribution tax was calculated at 9% for the period until April 30, 2008 and at 15% as from May 2008.

4. Significant accounting practices --Continued

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

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

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

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

5. Cash and cash equivalents

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

6. Short-term interbank investments

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

a) Open market investments

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
i. By position/security type				
Own portfolio				
Financial Treasury Bills	**-**	554,321	**-**	554,321
National Treasury Bills	**-**	1,277	**-**	1,277
National Treasury Notes	**2,053,618**	924,236	**2,053,618**	924,236
Corporate bonds	**4,210**	-	**-**	-
	2,057,828	1,479,834	**2,053,618**	1,479,834
Third-party portfolio				
Financial Treasury Bills	**365,043**	248,678	**365,043**	248,678
National Treasury Bills	**253,032**	88,752	**253,032**	88,752
National Treasury Notes	**6,332,822**	247,387	**6,332,822**	247,387
	6,950,897	584,817	**6,950,897**	584,817
Short position				
National Treasury Notes	**1,570,475**	296,142	**1,570,475**	296,142
	1,570,475	2,360,793	**1,570,475**	2,360,793
	10,579,200	2,360,793	**10,574,990**	2,360,793
ii. By maturity				
Up to 90 days	**7,725,086**	2,205,179	**7,720,876**	2,205,179
Over 90 days	**2,854,114**	155,614	**2,854,114**	155,614
	10,579,200	2,360,793	**10,574,990**	2,360,793

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.	
	2009	**2008**	**2009**	**2008**
i. By security				
Interbank deposits – CDI	**54,473**	53,737	**54,473**	53,737
Investments in foreign currency - Overnight	**511,387**	731,449	**20,373**	147,764
	565,860	785,186	**74,846**	201,501
ii. By maturity				
Up to 90 days	**541,775**	734,953	**50,761**	151,268
Over 90 days	**24,085**	50,233	**24,085**	50,233
	565,860	785,186	**74,846**	201,501

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			
	2009		2008	
	Cost	Market	Cost	Market
Own portfolio				
Federal Government securities				
Financial Treasury Bills	**11,091**	**11,092**	33,285	33,276
National Treasury Bills	**339,792**	**339,806**	108,524	108,527
National Treasury Notes	**264,325**	**264,796**	22,026	22,615
Bank Deposit Certificates	**114,446**	**114,374**	590,165	591,580
Debentures	**379,707**	**378,360**	19,273	18,906
Bank Credit Certificate	**102,447**	**102,155**	105,869	105,507
Real Estate Bond	**1,338**	**1,338**	2,741	2,741
Investment fund shares	**602,574**	**602,574**	386,216	386,126
Stock	**989,764**	**1,035,550**	231,880	157,778
Securities issued to cover court-ordered debts	**28,750**	**473**	10,917	10,917
Securitized credits	-	-	4,953	5,751
Promissory notes	**80,646**	**80,675**	-	-
Real Estate Receivables Certificate	**209,141**	**209,136**	-	-
Securities issued by foreign governments	**36,231**	**37,170**	-	-
Corporate bonds **(i)**	**434,641**	**434,348**	369,649	369,649
T-Bill	**8,695**	**8,694**	51,477	51,618
	3,603,588	**3,620,541**	1,936,885	1,864,991
Subject to repurchase agreements				
Federal Government securities				
Financial Treasury Bills	**2,057**	**2,057**	29,230	29,226
National Treasury Bills	**11,526**	**11,530**	275,708	278,544
National Treasury Notes	**329,352**	**329,564**	554,726	571,657
Corporate bonds **(i)**	**168,014**	**170,066**	220,182	214,617
	510,949	**513,217**	1,079,846	1,094,044
Subject to guarantees				
Federal government securities				
Financial Treasury Bills	**-**	**-**	50,828	50,826
National Treasury Bills	**44,885**	**44,804**	74,868	75,430
National Treasury Notes	**60,427**	**60,302**	460,681	472,448
Stock	**461,115**	**485,087**	91,094	93,350
Bank Deposit Certificates	**20,662**	**20,704**	-	-
	587,089	**610,897**	677,471	692,054

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

7. Marketable securities and derivative financial instruments -- Continued

a) Marketable securities--Continued

	Banco BTG Pactual S.A.			
	2009		2008	
	Cost	Market	Cost	Market
Own portfolio				
Federal government securities				
Financial Treasury Bills	**11,091**	**11,092**	-	-
National Treasury Bills	**339,792**	**339,806**	108,524	108,527
National Treasury Notes	**230,751**	**231,320**	22,026	22,615
Bank Deposit Certificates	**114,446**	**114,374**	590,165	591,580
Debentures	**379,707**	**378,360**	19,273	18,906
Bank Credit Certificate	**102,447**	**102,155**	105,869	105,507
Real Estate Bond	**1,338**	**1,338**	2,741	2,741
Investment fund shares	**602,078**	**602,078**	384,846	384,846
Stock	**274,811**	**296,682**	176,723	103,343
Securities issued to cover court-ordered debts	**28,750**	**473**	10,917	10,917
Securitized credits	-	-	4,953	5,751
Promissory notes	**80,646**	**80,675**	-	-
Real Estate Receivables Certificate	**209,141**	**209,136**	-	-
	2,374,998	**2,367,489**	1,426,037	1,354,733
Subject to repurchase agreements				
Federal government securities				
Financial Treasury Bills	**2,057**	**2,057**	29,230	29,226
National Treasury Bills	**11,526**	**11,530**	275,708	278,544
National Treasury Notes	**329,352**	**329,564**	554,726	571,657
	342,935	**343,151**	859,664	879,427
Subject to guarantees				
Federal government securities				
National Treasury Bills	**44,885**	**44,804**	74,868	75,430
National Treasury Notes	**7,012**	**7,024**	460,681	472,448
Stock	**461,115**	**485,087**	91,094	93,350
Bank Deposit Certificates	**20,662**	**20,704**		
	533,674	**557,619**	626,643	641,228

7. Marketable securities and derivative financial instruments -- Continued

b) Derivative financial instruments

	Consolidated			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**71,306**	**66,714**	**100,605**	**109,981**
Forward transactions – receivables and payables	**478,655**	**478,635**	**478,283**	**478,282**
Option premiums	**132,248**	**136,220**	**177,253**	**163,245**
Non Deliverable Forward (NDF)	**110,286**	**235,071**	**75,156**	**180,093**
	792,495	**916,640**	**831,297**	**931,601**
Current amount		**871,802**		**854,732**
Long-term amount		**44,838**		**76,869**

	Consolidated			
	2008			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	172,463	181,915	275,781	283,431
Forward transactions – receivables and payables	169,237	169,237	155,045	155,045
Option premiums	130,394	322,204	194,765	556,565
Non Deliverable Forward (NDF)	550,764	545,573	54,188	52,338
	1,022,858	1,218,929	679,779	1,047,379
Current amount		1,133,686		969,183
Long-term amount		85,243		78,196

7. Marketable securities and derivative financial instruments – Continued

b) Derivative financial instruments--Continued

	Banco BTG Pactual S.A.			
	2009			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	**55,742**	**48,959**	**93,560**	**101,837**
Forward transactions – receivables and payables	**141,456**	**141,436**	**141,417**	**141,416**
Option premiums	**121,404**	**127,259**	**167,143**	**154,021**
Non Deliverable Forward (NDF)	**110,286**	**110,662**	**75,156**	**56,725**
	428,888	**428,316**	**477,276**	**453,999**
Current amount		**386,627**		**377,617**
Long-term amount		**41,689**		**76,382**

	Banco BTG Pactual S.A.			
	2008			
	Assets		Liabilities	
	Cost	Market	Cost	Market
Derivative financial instruments				
Swap transactions	168,798	178,593	198,857	206,095
Forward transactions – receivables and payables	17,799	17,799	17,812	17,811
Option premiums	130,393	322,203	194,764	556,564
Non Deliverable Forward (NDF)	550,764	544,251	54,188	52,338
	867,754	1,062,846	465,621	832,808
Current amount		978,841		754,612
Long-term amount		84,005		78,196

8. Credit operations

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

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

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

8. **Credit operations**--Continued

Credit operations and other similar financing arrangements are as follows:

a) Credit operations

				Consolidated			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**7,068**	**-**	11,553	-
	Corporate	Commerce	AA	**8,431**	**-**	23,263	-
	Corporate	Services	AA	**1,828**	**-**	4,611	-
	Individual	-	AA	**42,110**	**-**	46,512	-
	Corporate	Manufacture	A	**1,214**	**(6)**	22,766	(114)
	Corporate	Commerce	A	**15,137**	**(76)**	29,821	(149)
	Corporate	Services	A	**33,646**	**(168)**	140,735	(704)
	Individual	-	A	**457,960**	**(2,290)**	650,129	(3,251)
	Corporate	Manufacture	B	**88,906**	**(889)**	56,458	(565)
	Corporate	Commerce	B	**26,582**	**(266)**	15,117	(151)
	Corporate	Services	B	**252,819**	**(2,528)**	176,648	(1,766)
	Individual	-	B	**1,841**	**(18)**	77,384	(774)
	Corporate	Manufacture	C	**3,430**	**(103)**	21,342	(640)
	Corporate	Commerce	C	**6,535**	**(196)**	213	(6)
	Corporate	Services	C	**8,186**	**(246)**	119,331	(3,579)
	Corporate	Manufacture	D	**7,136**	**(714)**	46,421	(4,642)
	Corporate	Services	D	**38,202**	**(3,820)**		
	Individual	-	D	**83,200**	**(8,320)**	115,255	(11,526)
	Corporate	Manufacture	E	**32,919**	**(9,876)**	8,716	(2,615)
	Corporate	Rural	F	**-**	**-**	4,954	(2,477)
	Corporate	Manufacture	F	**11,674**	**(5,837)**	9,236	(4,618)
	Corporate	Manufacture	G	**-**	**-**	2,161	(1,512)
	Corporate	Manufacture	H	**16,191**	**(16,191)**	5,568	(5,568)
	Corporate	Services	H	**32,063**	**(32,063)**	1,016	(1,016)
				1,177,078	**(83,607)**	1,589,210	(45,673)
Financing	Corporate	Manufacture	AA	**18,183**	**-**	-	-
	Corporate	Manufacture	A	**176,024**	**(881)**	-	-
	Corporate	Manufacture	B	**13,711**	**(137)**	14,664	(147)
	Corporate	Manufacture	C	**-**	**-**	9,052	(271)
	Individual	-	C	**5,175**	**(155)**	-	-
	Corporate	Manufacture	D	**1,541**	**(154)**	-	-
	Individual	-	D	**1,753**	**(175)**	-	-
	Corporate	Manufacture	H	**2,579**	**(2,579)**	-	-
				218,966	**(4,081)**	23,716	(418)
Onlending FINAME/BNDES	Corporate	Rural	A	**325**	**(2)**	699	(4)
Securities financing				**62,527**	**-**	27,769	-
				1,458,896	**(87,690)**	1,641,394	(46,095)
Current amount				**782,582**	**(56,232)**	608,423	(29,750)
Long-term amount				**676,314**	**(31,458)**	1,032,971	(16,345)

8. **Credit operations**--Continued

a) Credit operations -- Continued

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

				Banco BTG Pactual S.A.			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Loans	Corporate	Manufacture	AA	**2,740**	-	1,473	-
	Corporate	Commerce	AA	**8,431**	-	23,263	-
	Corporate	Services	AA	**1,828**	-	4,611	-
	Individual	-	AA	**36,277**	-	46,512	-
	Corporate	Manufacture	A	**1,214**	**(6)**	22,766	(114)
	Corporate	Commerce	A	**15,137**	**(76)**	29,821	(149)
	Corporate	Services	A	**33,646**	**(168)**	140,735	(704)
	Individual	-	A	**457,960**	**(2,290)**	650,129	(3,251)
	Corporate	Manufacture	B	**88,906**	**(889)**	56,458	(565)
	Corporate	Commerce	B	**26,582**	**(266)**	15,117	(151)
	Corporate	Services	B	**252,819**	**(2,528)**	176,648	(1,766)
	Individual	-	B	**1,841**	**(18)**	77,384	(774)
	Corporate	Manufacture	C	**3,430**	**(103)**	21,342	(640)
	Corporate	Commerce	C	**6,535**	**(196)**	213	(6)
	Corporate	Services	C	**8,186**	**(246)**	119,331	(3,579)
	Corporate	Manufacture	D	**7,136**	**(714)**	46,421	(4,642)
	Corporate	Services	D	**38,202**	**(3,820)**	-	-
	Individual	-	D	**83,200**	**(8,320)**	115,255	(11,526)
	Corporate	Manufacture	E	**32,919**	**(9,876)**	8,716	(2,615)
	Corporate	Rural	F	**-**	**-**	4,954	(2,477)
	Corporate	Manufacture	F	**11,674**	**(5,837)**	9,236	(4,618)
	Corporate	Manufacture	G	**-**	**-**	2,161	(1,512)
	Corporate	Manufacture	H	**16,191**	**(16,191)**	5,568	(5,568)
	Corporate	Services	H	**27,684**	**(27,684)**	1,016	(1,016)
				1,162,538	**(79,228)**	1,579,130	(45,673)
Financing	Corporate	Manufacture	AA	**18,183**	**-**	-	-
	Corporate	Manufacture	A	**176,024**	**(881)**	-	-
	Corporate	Manufacture	B	**13,711**	**(137)**	14,664	(147)
	Corporate	Manufacture	C	**-**	**-**	9,052	(271)
	Individual	-	C	**5,175**	**(155)**	-	-
	Corporate	Manufacture	D	**1,541**	**(154)**	-	-
	Individual	-	D	**1,753**	**(175)**	-	-
	Corporate	Manufacture	H	**2,579**	**(2,579)**	-	-
				218,966	**(4,081)**	23,716	(418)
Onlending FINAME/BNDES	Corporate	Rural	A	**325**	**(2)**	699	(4)
Securities financing				**62,527**	**-**	27,769	-
				1,444,356	**(83,311)**	1,631,314	(46,095)
Current amount				**776,088**	**(56,232)**	604,150	(29,750)
Long-term amount				**668,268**	**(27,079)**	1,027,164	(16,345)

8. **Credit operations**--Continued

a) Credit operations--Continued

ii. By maturity

	Consolidated				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2009		
Loans	**23,923**	**418,377**	**238,012**	**496,766**	**1,177,078**
Financing	**2,579**	**11,554**	**25,286**	**179,547**	**218,966**
Onlending FINAME/BNDES	**-**	**-**	**325**	**-**	**325**
Securities financing	**-**	**62,527**	**-**	**-**	**62,527**
	26,502	**492,458**	**263,623**	**676,313**	**1,458,896**
			2008		
Loans	13,890	314,965	229,228	1,031,127	1,589,210
Financing	-	17,628	4,560	1,528	23,716
Onlending FINAME/BNDES	-	-	383	316	699
Securities financing	-	27,769	-	-	27,769
	13,890	360,362	234,171	1,032,971	1,641,394

	Banco BTG Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2009		
Loans	**23,923**	**412,225**	**237,669**	**488,721**	**1,162,538**
Financing	**2,579**	**11,554**	**25,286**	**179,547**	**218,966**
Onlending FINAME/BNDES	**-**	**-**	**325**	**-**	**325**
Securities financing	**-**	**62,527**	**-**	**-**	**62,527**
	26,502	**486,306**	**263,280**	**668,268**	**1,444,356**
			2008		
Loans	13,890	314,607	225,313	1,025,320	1,579,130
Financing	-	17,628	4,560	1,528	23,716
Onlending FINAME/BNDES	-	-	383	316	699
Securities financing	-	27,769	-	-	27,769
	13,890	360,004	230,256	1,027,164	1,631,314

8. **Credit operations**--Continued

b) Other receivables – credit-extension-like receivables

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

				Consolidated e Banco BTG Pactual S.A.			
				2009		2008	
Type of credit	Client	Business activity	Risk level	Balance	Allowance	Balance	Allowance
Securities and credits receivable **(i)**	Corporate	Manufacture	AA	**35,040**	**-**	10,665	-
	Corporate	Services	AA	**3,598**	**-**	-	-
	Corporate	Manufacture	A	**4,749**	**(24)**	6,097	(30)
	Corporate	Commerce	A	**-**	**-**	243	(1)
	Corporate	Services	A	**-**	**-**	28,714	(144)
	Corporate	Manufacture	B	**-**	**-**	28,398	(284)
	Corporate	Commerce	B	**-**	**-**	209	(2)
	Corporate	Services	B	**833**	**(8)**	136	(1)
	Individual	-	B	**5,488**	**(55)**	-	-
	Corporate	Services	C	**25,260**	**(758)**	-	-
	Corporate	Manufacture	F	**1,904**	**(952)**	-	-
	Corporate	Services	H	**-**	**-**	128	(128)
				76,872	**(1,797)**	74,590	(590)
Current amount				**74,693**	**(1,735)**	68,075	(557)
Long-term amount				**2,179**	**(62)**	6,515	(33)

(i) Refer to the acquisition of credit rights.

ii. By maturity

	Consolidated e Banco BTG Pactual S.A.				
		Due			
Type of credit	Overdue	Up to 6 months	6 to 12 months	After 12 months	Total
			2009		
Securities and credits receivable	**11**	**67,701**	**6,980**	**2,180**	**76,872**
			2008		
Securities and credits receivable	6,704	50,184	11,187	6,515	74,590

8. **Credit operations**--Continued

c) Allowance

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

	Credit-extension-like receivables			
	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Opening balances	**(46,685)**	(37,471)	**(46,685)**	(37,471)
Allowance reversal / (set up)	**(49,461)**	(25,201)	**(45,082)**	(25,201)
Credit written off as losses	**6,659**	15,987	**6,659**	15,987
Closing balances	**(89,487)**	(46,685)	**(85,108)**	(46,685)
Breaking down of closing balances				
Allowance for loan losses	**(87,690)**	(46,095)	**(83,311)**	(46,095)
Allowance for losses on other receivables	**(1,797)**	(590)	**(1,797)**	(590)
	(89,487)	(46,685)	**(85,108)**	(46,685)
Current amount	**(57,967)**	(30,307)	**(57,967)**	(30,307)
Long-term amount	**(31,520)**	(16,378)	**(27,141)**	(16,378)

	Non-credit-extension-like receivables			
	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Opening balances	**(16,694)**	(2,301)	**(16,642)**	(2,171)
Allowance reversal / (set up)	**(43,168)**	(15,247)	**(43,220)**	(15,195)
Credit written off as losses	**9,907**	854	**9,907**	854
Closing balances	**(49,955)**	(16,694)	**(49,955)**	(16,642)
Breaking down of closing balances				
Allowance for loan losses	**-**	-	**-**	-
Allowance for losses on other receivables	**(49,955)**	(16,694)	**(49,955)**	(16,642)
	(49,955)	(16,694)	**(49,955)**	(16,642)
Current amount	**-**	-	**-**	-
Long-term amount	**(49,955)**	(16,694)	**(49,955)**	(16,642)

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

8. **Credit operations**--Continued

d) Renegotiation/recovery of written-off credits

The amount of R$ 87,537 under the Bank's credit portfolio refers to credits renegotiated in the year ended December 31, 2009. No credits were renegotiated for the year ended December 31, 2008. In 2009, no credits written off as losses were recovered (R$ 933 in 2008).

9. Other credits/other liabilities

a) Foreign exchange portfolio

	Consolidated e Banco BTG Pactual S.A.			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased / saled	**371,306**	**388,727**	2,830,529	3,897,042
Rights on foreign exchange sales	**393,392**	**-**	3,888,672	-
(-) Advances in foreign currency received	**(383)**	**-**	(9,345)	-
(-) Advances in local currency received	**(37,783)**	**-**	(579)	-
Liabilities for foreign exchange purchases	**-**	**375,670**	-	2,823,800
	726,532	**764,397**	6,709,277	6,720,842
Current amount	**706,554**	**744,270**	6,708,164	6,719,714
Long-term amount	**19,978**	**20,127**	1,113	1,128

Guarantees given in connection with foreign exchange transactions carried out through BM&FBOVESPA S.A - Stock Exchange, Commodities and Future (BM&FBOVESPA) are represented by federal government securities in the amount of R$ 35,015 in the consolidated and in the Bank (R$ 37,466 and R$ 37,387 in the consolidated and in the Bank, respectively, in 2008).

b) Securities trading and brokerage

	Consolidated			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**5,891**	**74,814**	167,760	85,161
Debtors/creditors – pending settlement **(i)**	**1,007,692**	**337,132**	333,204	254,243
Escrow deposits – Margin	**8,949**	**-**	61,248	-
Credits for stock loans	**-**	**374,830**	-	116,732
Other receivables/other payables for securities trading and brokerage **(ii)**	**95**	**446,487**	184	28,492
	1,022,627	**1,233,263**	562,396	484,628
Current amounts	**1,022,565**	**1,231,223**	562,315	484,628
Long-term amounts	**62**	**2,040**	81	-

9. Other receivables/other payables--Continued

b) Securities trading and brokerage--Continued

	Banco BTG Pactual S.A.			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	**3,771**	**109,203**	172,142	80,114
Debtors/creditors – pending settlement **(i)**	**259,864**	**174,898**	203,795	271,177
Escrow deposits – Margin	**8,949**	**-**	60,781	-
Credits for stock loans	**-**	**346,166**	-	103,865
Other receivables/other payables for securities trading and brokerage **(ii)**	**65**	**42,068**	155	7,095
	272,649	**672,335**	436,873	462,251
Current amounts	**272,587**	**670,295**	436,821	462,251
Long-term amounts	**62**	**2,040**	52	-

(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 2009, in assets, represented by swap intermediation transactions, and in liabilities, refers basically to stock loans. In 2008, represented by liabilities for the sale of shares, to be settled within the terms established in regulation, and by swap intermediation transactions.

10. Other credits

a) Income receivable

	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Dividends and bonuses	**1,791**	1,368	**65,677**	137,385
Receivables from provided service	**6,258**	104,859	**6,209**	104,859
Management and performance fees for investment funds and portfolios	**189,754**	93,439	**58,802**	4,627
Commissions on technical advisory services	**-**	8	**-**	14
Foreign investment income	**-**	225	**-**	225
Commissions on guarantees	**-**	298	**-**	298
Others	**460**	670	**303**	367
	198,263	200,867	**130,991**	247,775
Current amounts	**198,263**	200,786	**130,991**	247,710
Long-term amounts	**-**	81	**-**	65

10. Other credits--Continued

b) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Deferred tax assets	**1,144,723**	1,559,320	**1,115,880**	1,439,638
Legal deposits:				
Social security financing tax (COFINS) – suspended collection	**256,798**	184,940	**252,191**	182,313
Social contribution tax (CSL) - suspended collection	**10,444**	10,212	**9,610**	9,224
Social integration program tax (PIS) - suspended collection	**9,130**	8,710	**7,966**	7,547
Income tax (IRPJ) - suspended collection	**8,020**	7,902	**6,371**	6,069
Fine by BACEN	**14,831**	14,158	**14,831**	14,158
Service tax (ISS)	**5,579**	-	**3,913**	-
Social security contribution tax (INSS)	**13,977**	-	**13,977**	-
Other	**1,946**	5,461	**865**	3,425
Recoverable taxes	**51,691**	38,690	**37,810**	29,171
Tax incentive options	**1,317**	1,317	**1,317**	1,317
Credits receivable (i)	**76,872**	74,590	**76,872**	74,590
Receivables from securities trading and brokerage	**83,986**	63,074	**82,818**	63,074
Others	**15,606**	23,367	**21,282**	10,763
	1,694,920	1,991,741	**1,645,703**	1,841,289
Current amount	**435,911**	180,370	**436,197**	146,682
Long-term amount	**1,259,009**	1,811,371	**1,209,506**	1,694,607

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

11. Investments in subsidiaries - Bank

	Subsidiaries					
	Capital		Shareholders' equity		Net income (loss)	
	2009	2008	2009	2008	2009	2008
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**3,474**	3,474	**84,738**	165,831	**218,907**	(61,440)
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**161,870**	161,870	**205,231**	601,141	**15,276**	197,712
BTG Pactual Serviços Financeiros S.A. DTVM	**31,670**	31,670	**43,761**	141,021	**19,690**	36,262
BTG Pactual Corretora de Mercadorias Ltda.	**2,500**	2,500	**56,336**	157,694	**7,035**	66,138
UBS Pactual Serviços de Administração Ltda	**-**	**-**	**-**	-	**-**	11,334
BTG Pactual Corporate Services Ltda.	**1**	1	**4,511**	4,184	**326**	62
BTG Pactual Securitizadora S.A.	**100**	100	**100**	100	**-**	-
BTG Pactual Agente Comercializador de Energia Ltda.	**5**	5	**98**	6	**92**	1
Foreign companies						
BTG Pactual Overseas Corporation (i)	**-**	2,336	**-**	365,217	**-**	(72,978)
BTG Pactual Banking Limited	**297,381**	399,185	**454,252**	500,476	**81,412**	(36,008)

	Parent Company					
	Equity participation		Investment book value		Equity income (loss) (iii)	
	2009	2008	2009	2008	2009	2008
Brazilian companies						
BTG Pactual Asset Management S.A. DTVM	**99.99**	99.99	**70,832**	165,831	**218,907**	(61,324)
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	**99.99**	99.99	**205,231**	534,955	**15,275**	197,944
BTG Pactual Serviços Financeiros S.A. DTVM	**99.99**	99.99	**43,761**	124,072	**19,690**	36,378
BTG Pactual Corretora de Mercadorias Ltda.	**99.99**	99.99	**56,336**	149,300	**7,035**	66,138
UBS Pactual Serviços de Administração Ltda	**-**	**-**	**-**	-	**-**	11
BTG Pactual Corporate Services Ltda.	**99.40**	99.40	**4,484**	4,159	**325**	62
BTG Pactual Securitizadora S.A.	**99.99**	99.99	**100**	100	**-**	-
BTG Pactual Agente Comercializador de Energia Ltda.	**99.96**	99.96	**98**	6	**92**	1
Goodwill on investiment in BTG Pactual Serviços Financeiros S.A. DTVM (ii)	**-**		**5,778**	6,703	**(925)**	(694)
			386,620	985,126	**260,399**	238,516
Foreign companies						
BTG Pactual Overseas Corporation (i)	**-**	-	**-**	-	**-**	(9,046)
BTG Pactual Banking Limited	**100.00**	100.00	**454,234**	500,459	**(46,224)**	63,801
			454,234	500,459	**(46,224)**	54,755
			840,854	1,485,585	**214,175**	293,271

(i) On November 19, 2008, the Bank used the investment held in this subsidiary to increase the capital of BTG Pactual Banking Limited.
(ii) Goodwill based on future profits expected, realizable in 10 years.
(iii) Any differences between net income of subsidiaries and the equity adjustment refer to the restatement of stock exchange membership certificate (as for Brazilian subsidiaries) and exchange variations on investments abroad (as for subsidiaries abroad).

12. Open market funding

Open market funding is backed by the following securities:

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Own portfolio				
Financial Treasury Bills	**2,050**	29,155	**2,050**	29,155
National Treasury Bills	**11,479**	276,932	**11,479**	276,932
National Treasury Notes	**327,446**	556,790	**327,446**	556,790
Corporate bonds	**149,952**	205,595	**-**	-
	490,927	1,068,472	**340,975**	862,877
Third-party portfolio				
Financial Treasury Bills	**364,906**	248,661	**364,906**	248,661
National Treasury Bills	**253,025**	88,733	**253,025**	88,733
National Treasury Notes	**6,362,159**	259,080	**6,362,159**	259,080
Corporate bonds	**4,121**	-	**-**	-
	6,984,211	596,474	**6,980,090**	596,474
Freely-traded portfolio				
Financial Treasury Bills		320,026		320,026
National Treasury Notes	**1,581,478**	-	**1,581,478**	-
	9,056,616	1,984,972	**8,902,543**	1,779,377

13. Funds from securities issued and accepted – liabilities for foreign securities

In 2009 there aren't liabilities for foreign securities. In 2008, in consolidated, they refer to Dual Currency in the amount of US$ 46,758 thousand, maturing on April 24, 2009.

14. Foreign borrowings

This balance is basically represented by a revolving credit facility amounting to US$ 22,973 thousand (US$ 1,045 thousand in 2008), maturing on December 31, 2010 (December 31, 2009, in 2008).

15. Other liabilities

Social and statutory

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Employees' profit sharing	**227,206**	243,054	**159,289**	182,475
Bonuses payable (i)	**-**	404,439	**-**	227,079
	227,206	647,493	**159,289**	409,554
Current amount	**227,206**	243,054	**159,289**	182,475
Long-term amount	**-**	404,439	**-**	227,079

(i) At December 31, 2008, the balance referred to the employee retention plan created as a result of the acquisition of Banco Pactual S.A. by UBS AG, payable in installments over 2011, 2012 and 2013. As a consequence of the acquisition of Banco UBS Pactual S.A., as mentioned in Note 1, such plan was extinguished and the remaining balance, on the acquisition date, was fully reversed.

b) Tax and social security

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Taxes and mandatory contributions payable	**34,071**	100,418	**-**	-
Provision for income taxes (i)	**157**	183	**-**	-
Taxes and contributions payable	**39,910**	183,168	**14,685**	99,789
Deferred income and social contribution taxes (ii)	**50,208**	50,617	**48,547**	50,209
Taxes with suspended collection:				
Social integration program tax (PIS) (iii) (iv)	**32,007**	30,230	**26,642**	25,827
Social security financing tax (COFINS) (iv) (v)	**276,814**	213,277	**272,179**	210,650
Social contribution tax (CSL) (iii) (iv)	**7,351**	12,946	**6,499**	11,639
Income tax (IRPJ) (iv)	**1,484**	1,430	**1,484**	1,430
Others (iv)	**10,371**	7,682	**9,387**	6,696
	452,373	599,951	**379,423**	406,240
Current amount	**343,312**	197,903	**286,864**	82,744
Long-term amount	**109,061**	402,048	**92,559**	323,496

(i) These refer to the provision for income and social contribution taxes, net of prepaid amounts.
(ii) These refer to income and social contribution taxes due on the market appreciation of marketable securities and derivatives and on unrealized gains on derivatives, in compliance with Law No. 11051/04.
(iii) This refers basically to: a) CSL - rates applicable for years 1997/1998 were challenged based on the constitutional principle of equality; and b) PIS - precedence and limited retrospection of constitutional amendments 01/94-10/96 and 17/97 were legally challenged.
(iv) Legal deposits were made in connection with these contingencies, which are recorded as "Other receivables - sundry", in the amount of R$ 260,584 (R$ 188,635 in 2008) - consolidated, and R$ 253,393 (R$ 183,429 in 2008) - Bank.
(v) The constitutionality of article 3, Law No. 9718/98 is under discussion. The Bank and its subsidiaries have an injunction allowing the payment of Cofins on service revenues only.

15. Other liabilities--Continued

c) Sundry

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Cashier's checks	**-**	1,070	**-**	1,070
Liabilities for acquisition of assets and rights	**224**	224	**-**	-
Provision for accounts payable	**43,587**	24,299	**15,193**	15,245
Provision for contingent liabilities	**20,693**	22,076	**19,378**	19,236
Payable for placement of securities	**-**	3,614	**-**	3,614
Others	**14,569**	3,946	**14,173**	2,133
	79,073	55,229	**48,744**	41,298
Current amount	**57,892**	32,929	**29,366**	22,062
Long-term amount	**21,181**	22,300	**19,378**	19,236

16. Shareholders' equity – Bank

a) Capital

In December 31, 2009 and 2008, the capital, fully subscribed and paid-up capital comprises 1,253,583,889 shares, all registered common shares with no par value.

b) Capital reserves

These relate to the restatement of Future and Commodities Exchange (BM&F), São Paulo Stock Exchange (BOVESPA) and CETIP stock exchange membership certificate.

c) 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.

d) Statutory reserve

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

16. Shareholders' equity - Bank --Continued

e) Unrealized income reserve

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

f) Profit distribution

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

At the Extraordinary General Meeting held on September 18, 2009, approval was given to payment of dividends in the amount of R$ 1,250,000.

g) Retained earnings

The amount of R$ 1,851,366 corresponding to earnings recorded prior to the introduction of CMN Resolution No. 3605/08 will be appropriated by December 31, 2010.

17. Derivative financial instruments

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

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

Guarantees given are as follows:

	Consolidated		Banco BTG Pactual S.A	
	2009	**2008**	**2009**	**2008**
Federal government securities	**70,090**	561,238	**16,813**	510,491
Stock	**485,087**	93,350	**485,087**	93,350
Guarantees	**110,000**	100,000	**110,000**	100,000
Bank Deposit Certificates	**20,704**	-	**20,704**	-
	685,881	754,588	**632,604**	703,841

17. Derivative financial instruments--Continued

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

Commitments undertaken as a result of transactions involving derivatives, maturing up to September 11, 2049 (May 2, 2018 in 2008), as shown below, take into consideration the provisions of BACEN Circular No. 3229/04, 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.

a) By index

	Consolidated			
	2009		2008	
	Long Position	Short position	Long Position	Short position
Futures contracts				
Foreign currency	**447,461**	**1,319,851**	30,054,479	16,048,661
Interest rate	**8,356,186**	**1,631,552**	12,545,135	7,398,782
Indexes	**6,901**	**54,411**	596,567	380,903
	8,810,548	**3,005,814**	43,196,181	23,828,346
Swap transactions				
Foreign currency	**369,645**	**764,429**	1,703,285	1,588,019
Interest rate	**1,086,344**	**585,806**	1,541,541	1,544,937
Indexes	**6,474,788**	**5,368,373**	673,867	815,008
	7,930,777	**6,718,608**	3,918,693	3,947,964
Non-deliverable forward - NDF				
Foreign currency	**1,423,727**	**465,942**	2,351,290	452,134
Interest rate	**449,538**	**1,352,344**	389,782	1,795,704
	1,873,265	**1,818,286**	2,741,072	2,247,838
Deliverable forward - DF				
Foreign currency	**150,768**	**150,577**	62,960	56,965
Forward contracts				
Foreign currency	**-**	**-**	17,799	-
Options contracts				
Financial assets				
Call option	**3,211,781**	**1,883,238**	307,129	515,838
Put option	**6,924,738**	**7,810,776**	4,655	11,273
	10,136,519	**9,694,014**	311,784	527,111
Stock				
Call option	**355,435**	**640,342**	10,419	-
Put option	**207,619**	**22,062**	-	59,614
	563,054	**662,404**	10,419	59,614
Fixed income				
Call option	**-**	**-**	150,673	166,458
	10,699,573	**10,356,418**	472,876	753,183

17. Derivative financial instruments --Continued

a) By index--Continued

	Banco BTG Pactual S.A.			
	2009		2008	
	Long position	Short position	Long position	Short position
Futures contracts				
Foreign currency	**422,080**	**1,319,851**	30,054,479	16,048,661
Interest rate	**7,746,406**	**1,210,166**	12,545,135	7,398,782
Indexes	**-**	**9,204**	596,567	380,903
	8,168,486	**2,539,221**	43,196,181	23,828,346
Swap transactions				
Foreign currency	**369,645**	**764,429**	1,628,378	1,513,049
Interest rate	**983,674**	**459,488**	1,541,541	1,544,937
Indexes	**209,606**	**349,541**	434,482	575,900
	1,562,925	**1,573,458**	3,604,401	3,633,886
Non-deliverable forward - NDF				
Foreign currency	**1,299,317**	**342,574**	2,326,607	428,772
Interest rate	**449,538**	**1,352,344**	389,782	1,795,704
	1,748,855	**1,694,918**	2,716,389	2,224,476
Forward contracts				
Foreign currency	**-**	**55,488**	-	-
Interest rate	**-**	**85,078**	17,799	-
	-	**140,566**	17,799	-
Options contracts				
Financial assets				
Call option	**3,211,781**	**1,883,238**	307,129	515,838
Put option	**6,924,738**	**7,810,776**	4,655	11,273
	10,136,519	**9,694,014**	311,784	527,111
Stock				
Call option	**354,543**	**486,305**	10,419	-
Put option	**67,853**	**21,290**	-	59,614
	422,396	**507,595**	10,419	59,614
Fixed income				
Call option	**-**	**-**	150,673	166,458
	10,558,915	**10,201,609**	472,876	753,183

17. Derivative financial instruments--Continued

b) By maturity

	Consolidated				
	2009				2008
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**4,194,333**	**2,905,390**	**1,710,825**	**8,810,548**	43,196,181
Short position	**1,685,038**	**505,732**	**815,044**	**3,005,814**	23,828,346
Swap transactions					
Notional value	**3,585,829**	**1,168,190**	**2,976,128**	**7,730,147**	3,606,683
Short position	**3,624,692**	**1,214,954**	**3,091,131**	**7,930,777**	3,918,693
Long position	**3,641,768**	**1,215,342**	**1,861,498**	**6,718,608**	3,947,964
Non-deliverable forward – NDF					
Notional value	**13,104,857**	**653,280**	**275,725**	**14,033,862**	2,262,068
Short position	**1,039,029**	**607,991**	**226,245**	**1,873,265**	2,741,072
Long position	**939,142**	**639,059**	**240,085**	**1,818,286**	2,247,838
Deliverable forward - DF					
Notional value	**225,484**	**24,864**	**11,861**	**262,209**	142,966
Short position	**129,808**	**14,191**	**6,769**	**150,768**	62,960
Long position	**129,546**	**14,259**	**6,772**	**150,577**	56,965
Forward contracts					
Short position	**-**	**-**	**-**	**-**	17,799
Long position	**-**	**-**	**140,566**	**140,566**	-
Options contracts					
Financial assets					
Long position	**78,721**	**7,829,254**	**2,228,544**	**10,136,519**	311,784
Short position	**112,440**	**7,525,803**	**2,055,771**	**9,694,014**	527,111
Stock					
Long position	**542,437**	**20,617**	**-**	**563,054**	10,419
Short position	**653,212**	**9,192**	**-**	**662,404**	59,614
Fixed income					
Long position	**-**	**-**	**-**	**-**	150,673
Short position	**-**	**-**	**-**	**-**	166,458

17. Derivative financial instruments—Continued

b) By maturity--Continued

	Banco BTG Pactual S.A.				
	2009				2008
	Up to 6 months	6 to 12 months	After 12 months	Total	Total
Futures contracts					
Long position	**3,671,779**	**2,785,882**	**1,710,825**	**8,168,486**	43,196,181
Short position	**1,219,434**	**504,743**	**815,044**	**2,539,221**	23,828,346
Swap					
Notional value	**507,323**	**121,659**	**834,492**	**1,463,474**	3,292,604
Short position	**546,546**	**122,002**	**894,377**	**1,562,925**	3,604,401
Long position	**562,352**	**121,478**	**889,628**	**1,573,458**	3,633,886
Non-deliverable forward – NDF					
Notional value	**882,709**	**642,248**	**246,746**	**1,771,703**	2,238,706
Short position	**914,679**	**607,931**	**226,245**	**1,748,855**	2,716,389
Long position	**816,357**	**639,058**	**239,503**	**1,694,918**	2,224,476
Forward contracts					
Short position	**-**	**-**	**-**	**-**	17,799
Long position	**-**	**-**	**140,566**	**140,566**	-
Options contracts					
Financial assets					
Long position	**78,721**	**7,829,254**	**2,228,544**	**10,136,519**	311,784
Short position	**112,440**	**7,525,803**	**2,055,771**	**9,694,014**	527,111
Stock					
Long position	**401,779**	**20,617**	**-**	**422,396**	10,419
Short position	**498,404**	**9,191**	**-**	**507,595**	59,614
Fixed income					
Long position	**-**	**-**	**-**	**-**	150,673
Short position	**-**	**-**	**-**	**-**	166,458

18. Risk management

a) Market risk

The various scenarios envisaged for market behavior are properly simulated by means of the Value-at-Risk calculation model and especially via stress tests, which allows the identification of the main risk components to be controlled. The development of computer systems that support the decision-making process enables the efficient performance of the investment process as a whole - including the selection, analysis, monitoring, optimization and simulation. The Value-at-Risk is calculated using historical simulation methodologies and, where necessary, the Monte Carlo simulation. The stress tests are conducted using three different models: historical stress test, worst case scenario and hypothetical stress test.

b) Credit risk

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

c) Liquidity risk

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

18. Risk management--Continued

d) Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an Operating Risk Management Policy applicable to the Bank and to its local and foreign subsidiaries was defined.
The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

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

19. Transactions with the BTG Pactual Group

a) Subsidiaries and related companies

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 Bank and its subsidiaries, which are carried out at arm's length, is reflected in the following accounts:

	2009			
	Relationship	**Maturity**	**Assets/ liabilities**	**Revenue/ (expenses)**
Assets				
Other credits				
Income receivable				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**22,138**	**25**
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**6,094**	**24**
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**26,431**	**-**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	**7,348**	**-**
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	**2,391**	**24**
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**3,854**	**-**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	**460**	**-**
Sundry				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**3,177**	**-**
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**8**	**-**
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**12,921**	**-**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	**4**	**-**
			84,826	**73**

	2008			
	Relationship	**Maturity**	**Assets/ liabilities**	**Revenue/ (expenses)**
Assets				
Other credits				
Income receivable				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	12,072	25
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	22,512	24
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	88,125	-
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	13,258	-
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	2	24
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	No maturity	71	-
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	117,615	-
Sundry				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	477	-
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	3	-
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	5	-
			254,140	73

19. Transactions with the BTG Pactual Group--Continued

a) Subsidiaries and related companies —Continued

	2009			
	Relationship	**Maturity**	**Assets/ liabilities**	**Revenue/ (expenses)**
Liabilities				
Deposits				
Demand deposits				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	**102**	**-**
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	**432**	**-**
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**106**	**-**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	**122**	**-**
- BTG Pactual Corporate Service Ltda	Subsidiary	No maturity	**27**	**-**
- BTG Pactual Securitizadora S.A.	Subsidiary	No maturity	**1**	**-**
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	No maturity	**50**	**-**
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	No maturity	**45**	**-**
Interbank deposits - related parties				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	01/05/2010	**52,686**	**(21,035)**
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	12/22/2010	**48,104**	**(12,768)**
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	01/05/2010	**175,780**	**(45,918)**
Time deposits				
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	-	**-**	**(1)**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	12/08/2010	**63,269**	**(14,245)**
- BTG Pactual Corporate Service Ltda	Subsidiary	10/28/2010	**3,939**	**(396)**
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	12/10/2010	**2,026**	**(95)**
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	06/18/2010	**27**	**(2)**
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	12/10/2010	**1,958**	**(7,983)**
- BTG Pactual Gestora de Recursos Ltda	Subsidiary	11/26/2010	**770**	**(6)**
Other payables				
- BTG Pactual Corporate Service Ltda	Subsidiary	No maturity	**400**	**-**
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	No maturity	**62**	**-**
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	**47**	**-**
- BTG Pactual Gestora de Recursos Ltda	Subsidiary	No maturity	**31**	**-**
Borrowings				
Borrowings abroad				
- BTG Pactual Banking Limited	Subsidiary	01/05/2010	**13**	**(338)**
Other payables				
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	**34,613**	**-**
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	**2,120**	**-**
			386,730	**(102,787)**

19. Transactions with the BTG Pactual Group--Continued

b) Subsidiaries and related companies —Continued

	2008			
	Relationship	Maturity	Assets/ liabilities	Revenue/ (expenses)
Liabilities				
Deposits				
Demand deposits				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	No maturity	103	-
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	No maturity	514	-
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	100	-
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	231	-
- BTG Pactual Corporate Service Ltda	Subsidiary	No maturity	44	-
- BTG Pactual Securitizadora S.A.	Subsidiary	No maturity	1	-
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	No maturity	77	-
- BTG Pactual Agente Comercializador de Energia Ltda	Subsidiary	No maturity	50	-
Interbank deposits - related parties				
- BTG Pactual Asset Management S.A. DTVM	Subsidiary	01/05/2009	252,369	(26,222)
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	12/18/2009	151,592	(1,443)
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	01/05/2009	528,590	(37,222)
Time deposits				
- BTG Pactual Serviços Financeiros S.A. DTVM	Subsidiary	-	-	(10,992)
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	12/24/2009	166,023	(16,015)
- BTG Pactual Corporate Service Ltda	Subsidiary	10/30/2009	4,064	(352)
- BTG Pactual WM Gestão de Recursos Ltda	Subsidiary	12/28/2009	854	(22)
- BTG Pactual Gestora de Investimentos Alternativos S.A.	Subsidiary	12/28/2009	71,640	(6,647)
Borrowings				
Borrowings abroad				
- BTG Pactual Banking Limited	Subsidiary	-	-	(107)
Other payables				
Securities trading and brokerage				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	117,615	-
- BTG Pactual Corretora de Mercadorias Ltda	Subsidiary	No maturity	28,323	-
Sundry				
- BTG Pactual Corretora deTítulos e Valores Mobiliários S.A.	Subsidiary	No maturity	143	-
			1,322,333	(99,022)

c) Key personal compensation

The total compensation paid to key personal in 2009 was in the amount of R$ 30,609 which is considered a short-term benefit.

20. Income from services rendered

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Management fees and performance bonuses for investment funds and portfolio	**321,214**	313,152	**109,588**	35,638
Stock exchange brokerage	**93,587**	188,323	**1,700**	9,153
Technical advisory services	**180,834**	402,301	**179,147**	399,274
Commission on the placement of securities	**68,204**	40,471	**64,285**	37,485
Other services	**7,402**	11,922	**7,463**	11,995
	671,241	956,169	**362,183**	493,545

21. Other operating income

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Recovery of credits written off as loss	**19**	954	**-**	933
Recovery of charges and expenses	**1,329**	710	**216**	-
Portfolio management income	**52,508**	28,102	**52,508**	37,578
Reversal of provisions – bonus to employees	**606,211**	85,689	**314,875**	85,689
Reversal of provisions - contingencies	**4,458**	13,098	**4,021**	9,202
Monetary restatement of judicial deposits	**19,778**	2,280	**19,342**	2,209
Other operating income (i)	**18,022**	4,987	**68,264**	65,566
	702,325	135,820	**459,226**	201,177

(i) In 2009 and 2008, Bank, refers mainly to income from interest on equity capital.

22. Other operating expenses

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Restatement of taxes	**2,295**	1,622	**465**	625
Other services (i)	**33,997**	12,232	**11,763**	18,698
	36,292	13,854	**12,228**	19,323

(i) In 2009, in consolidated and Bank, refer basically to foreign exchange variation relating to offshore portfolio management and amnesty based on Law No. 11941/09. In 2008, in consolidated and Bank refer substantially to exchange variation expenses abroad.

23. Non-operating income

In 2009, non-operating income refers to gains on the sale of CETIP S.A. shares. In 2008, this balance refers to gains on the sale of BM&F S.A and BOVESPA Holding S.A. shares.

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:

	2009		2008	
	IRPJ	**CSL**	**IRPJ**	**CSL**
Income before income tax, social contribution tax and employees' profit or gain sharing – parent company	**1,145,236**	**1,145,236**	987,068	987,068
Profit sharing	**(193,855)**	**(193,855)**	(188,838)	(188,838)
Tax base – parent company	**951,381**	**951,381**	798,230	798,230
Tax rate	**25%**	**15%**	25%	15%
Income and social contribution taxes – subsidiaries	**(237,821)**	**(142,707)**	(199,533)	(119,734)
Non-deductible provisions	**26,721**	**16,033**	(71,049)	(42,630)
Net income from subsidiaries abroad	**(20,362)**	**(12,217)**	-	-
Results from mark-to-market valuation	**70,210**	**42,126**	(49,406)	(29,644)
Provision for taxes with suspended collection	**(11,743)**	**(7,046)**	(5,490)	(5,277)
Amortization of goodwill	**220,765**	**132,459**	220,765	132,459
Permanent additions/exclusions - net effect (i)	**54,503**	**32,862**	77,542	46,665
Income tax recoverable - subsidiaries abroad	**-**	**-**	6,236	2,245
Result from unsettled derivatives	**(5,353)**	**(3,144)**	65,604	39,484
Tax loss carryforwards	**(96,920)**	**(58,366)**	(38,432)	(21,323)
Current provision – parent bank	**-**	**-**	6,237	2,245
Results from mark-to-market valuation	**(70,210)**	**(42,126)**	48,844	30,302
Unrealized gains (losses) on derivatives	**71,291**	**42,707**	(65,628)	(42,648)
Provision for discount on investments	**-**	**-**	-	(1,280)
Deferred provision – parent company	**1,081**	**581**	(16,784)	(13,626)
Total provision – parent company	**1,081**	**581**	(10,548)	(11,381)
Tax loss carryforwards	**74,447**	**44,881**	37,398	20,703
Non-deductible provisions	**(71,733)**	**(43,179)**	68,638	58,869
Provision for taxes with suspended collection	**15,656**	**9,394**	5,490	5,277
Tax credit on goodwill upon Bank's acquisition	**(220,765)**	**(132,459)**	(220,765)	(83,891)
CSL – rate change **(ii)**	**-**	**-**	-	170,797
Deferred tax assets – parent company	**(202,395)**	**(121,363)**	(109,239)	171,755
Income and social contribution taxes – parent company	**(201,314)**	**(120,782)**	(119,787)	160,374
Current provision – subsidiaries	**(39,511)**	**(23,115)**	(162,693)	(79,309)
Deferred provision – subsidiaries	**(1,282)**	**(530)**	569	144
Deferred tax assets – subsidiaries	**(59,788)**	**(31,052)**	74,958	40,721
Income and social contribution taxes – consolidated	**(301,895)**	**(175,479)**	(206,953)	121,930

(i) These refer basically to equity income (loss) from subsidiaries.
(ii) This refers to the method used as from May 2008, as per Brazilian Regulatory Instruction No. 810/2008.

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:

	Consolidated			
	2009		2008	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**111,845**	**-**	37,398	
Accumulated tax loss carryforward (i)	**-**	**65,584**		20,703
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**459,927**	**275,956**	680,691	408,415
Provision for employees' profit sharing	**-**	**-**	60,736	35,118
Provision for taxes with suspended collection - COFINS (iii)	**60,335**	**17,881**	44,285	8,000
Provision for bonuses payable (v)	**-**	**-**	136,814	78,991
Provision for taxes with suspended collection - PIS (iv)	**2,724**	**1,207**	2,505	928
Valuation allowance – securities and investments (iv)	**7,069**	**4,242**	4,340	2,604
Goodwill on investment acquisition (iv)	**867**	**-**	636	-
Provision for civil contingencies (iv)	**613**	**368**	719	431
Provision for labor contingencies (iv)	**2,321**	**1,393**	2,507	1,502
Allowance for loan losses (v)	**68,863**	**41,318**	19,998	11,999
Provision for payables for securities trading and brokerage (vi)	**13,881**	**8,329**	**-**	**-**
Total	**728,445**	**416,278**	990,629	568,691

	Banco BTG Pactual S.A.			
	2009		2008	
	IRPJ (25%)	CSL (15%)	IRPJ (25%)	CSL (15%)
Accumulated tax loss carryforward (i)	**111,845**	**-**	37,398	
Accumulated tax loss carryforward (i)	**-**	**65,584**		20,703
Temporary additions:				
Goodwill upon Bank's acquisition (ii)	**459,927**	**275,956**	680,691	408,415
Provision for employees' profit sharing	**-**	**-**	45,619	27,371
Provision for taxes with suspended collection - COFINS (iii)	**57,395**	**16,296**	41,737	6,903
Provision for bonuses payable	**-**	**-**	77,497	46,498
Provision for taxes with suspended collection - PIS (iv)	**2,062**	**928**	2,062	928
Valuation allowance – securities and investments (iv)	**7,069**	**4,242**	4,340	2,604
Goodwill on investment acquisition (iv)	**867**	**-**	636	-
Provision for civil contingencies (iv)	**613**	**368**	719	431
Provision for labor contingencies (iv)	**1,592**	**955**	1,931	1,158
Allowance for loan losses (v)	**68,863**	**41,318**	19,998	11,999
Total	**710,233**	**405,647**	912,628	527,010

(i) In 2009 tax credits arising from income and social contribution tax losses were accrued in the amount of R$ 119,327 (R$ 58,101 in 2008), expected to be realized between 2012 and 2018.
(ii) Tax credits arising from goodwill determined on the acquisition of the bank recognized in connection with the merger of its parent entity UBS Brasil Participações Ltda will be amortized until 2012. In 2009, the amount of R$ 353,220 (R$ 324,524 in 2008) was realized.
(iii) Realization is expected to occur in 2010, in consolidated and Bank.
(iv) In consolidated, realization of R$ 274 is expected in 2010, and the remaining balance in 2013. In the Bank, realization is expected to occur in 2013.
(v) Realization is expected to occur between 2013 and 2017.
(vi) Realization of R$ 11,105 is expected to occur in 2010 and 2011.

24. Income and social contribution taxes--Continued

Considering the expected realization of deferred tax assets, the present value of the credits is estimated to be R$ 709,313 (R$ 1,097,843 in 2008) in the consolidated and R$ 684,751 (R$ 1,017,247 in 2008) in the Bank.

Deferred tax liabilities were recognized in the amount of R$ 50,208 (R$ 50,617 in 2008) in the consolidated and R$ 48,547 (R$ 50,209 in 2008) in the Bank, as mentioned in Note 15(b).

25. Other Information

a) Deposits

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

	Number of days			
	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Interbank deposits	**43**	95	**43**	95
Time deposits	**416**	311	**371**	304

b) Commitments and responsibilities

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

	Consolidated		Banco BTG Pactual S.A.	
	2009	2008	2009	2008
Co-obligation and risks for guarantees given (i)	**135,311**	813,508	**135,311**	813,508
Responsibility for the management of investment funds and portfolio management (ii)	**77,830,916**	63,579,554	**9,745,611**	5,832,531
Securities under custody (iii)	**45,357,842**	31,131,088	**43,231,454**	29,807,258
Securities trading and brokerage (iv)	**318,107,476**	195,805,484	**100,657,936**	83,750,454

(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.

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.

a) Contingent assets

At December 31, 2008 and 2009, the Bank recorded no contingent assets.

b) Contingent liabilities classified as probable loss and legal obligations

- Labor provisions

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

- Civil provisions

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

- Tax and social security provisions

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

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

c) Breakdown and changes in provisions in the period

The Bank management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to other legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions set up for such proceedings at December 31, 2009 are adequate to cover any losses arising therefrom.

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

	Consolidated		Banco BTG Pactual S.A.	
	2009	**2008**	**2009**	**2008**
Balance at beginning of the year	**287,641**	**228,821**	**275,478**	**218,812**
Set up	71,280	77,202	67,650	73,108
Write off	(10,201)	(18,382)	(7,559)	(16,442)
Balance at end of year	**348,720**	**287,641**	**335,569**	**275,478**

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 3.366/07, 3368/07, 3383/08, 3388/08 and 3389/08.

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

	2009
Reference shareholders' equity (PR)	**3,160,793**
Shareholders' equity	**3,244,500**
Tax credits excluded from PR tier I	**(3,652)**
Deferred permanent assets	**(15,935)**
Deductions from PR	**(64,120)**
Required reference shareholders' equity (PRE)	**1,688,534**
Credit risk	**896,756**
Market risk	**559,402**
Operating risk	**232,376**
Excess PR: (PR-PRE)	**1,472,258**
Basel index: (PRx100)/PRE/0.11)	**20.59%**

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

Prior to the New Basel Capital Accord (Basel II), the minimum capital limits compatible with the degree of financial exposure risk (Basel Accord) and the maximum risk diversification limits were determined in a consolidated basis (economic and financial consolidation) pursuant to criteria established by CMN Resolution No. 2723/00.

27. Operating limits--Continued

At December 31, 2008, the risk level underlying financial exposures for the Bank and its subsidiaries is as follows:

	2008
Reference assets	3,539,207
Assets required based on operating risks	1,597,662
Basel index	24.37%

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:

	2009	2008
Capital expenditures limit (50%):	**1,562,016**	1,768,393
Reference shareholders' equity	**3,160,793**	3,539,207
Stock exchange membership certificate	**(36,762)**	(2,421)
Capital expenditures limit status:	**1,453,572**	215,905
Permanent assets	**56,410**	60,548
Deferred permanent assets	**(15,935)**	-
Stock exchange membership certificate	**(36,762)**	(2,421)
Variable income securities under current assets	**1,449,859**	157,778
Margin	**108,444**	1,552,488

At December 31, 2009 and 2008, all operating limits are duly complied with.