

# **Financial Statements**

**Banco BTG Pactual S.A.**

June 30, 2018

with independent auditor's review report.

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

Financial Statements

June 30, 2018

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**A free translation from Portuguese into English of the independent auditor's review report on interim financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.**

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## **Independent auditor review report on the interim financial statements**

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

### **Introduction**

We have reviewed the interim financial information of Banco BTG Pactual S.A. ("Bank"), comprised in the Quarterly Information Form - ITR for the three-month period ended June 30, 2018 which comprise the balance sheet as of June 30, 2018 and the related statements of income for the three and six-months periods then ended, and changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, as well as for presenting this information with the standards issued by the Brazilian Securities and Exchange Commission - CVM, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on these interim financial statement based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information included in the Quarterly Information - ITR referred to above, have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission – CVM, applicable to the preparation of Quarterly Information – ITR.

## **Emphasis of matter**

### *Foreign subsidiary equity pickup*

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

### *Tax credits recorded in jointly controlled subsidiary*

At June 30, 2018, the jointly controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 3.0 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A. Our conclusion is not qualified in respect of this matter.

## **Other matters**

### *Statement of value added*

We have also reviewed the statement of value added, for the six-month period ended at June 30, 2018, prepared under the responsibility of Bank’s management, which interim financial information presentation mentioned above is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission – CVM, applicable to the preparation of Quarterly Information – ITR and as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. This statement has been subject to the same review procedures previously described, and based on our review nothing has come to our attention that causes us to believe that the statement of value added is not fairly presented, in all material respects, in relation to the overall interim financial information.

São Paulo, August 07, 2018.

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



Flávio Serpejante Peppe  
Partner

A free translation from Portuguese into English of the financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and in Reais

## BANCO BTG PACTUAL S.A.

### Balance sheets

As at June, 30, 2018 and December 31, 2017

(In thousands of reais)

	Note	30/06/2018	31/12/2017
Assets			
Current assets		112,344,463	101,473,672
Cash at banks	6	2,026,561	3,674,112
Interbank investments	7	44,588,385	27,136,910
Open market investments		43,163,969	25,834,469
Interbank deposits		1,424,416	1,302,441
Securities and derivative financial instruments		29,289,184	37,214,764
Own portfolio	8	17,608,274	16,294,353
Subject to repurchase agreements	8	1,807,665	3,011,543
Subject to unrestricted repurchase agreements	8	19,187	144,227
Derivative financial instruments	9	8,910,811	17,112,693
Subject to guarantees	8	943,247	651,948
Interbank transactions		2,037,842	1,472,947
Deposits in the Central Bank of Brazil		2,036,964	1,472,947
Restricted credits – National Housing System		878	-
Loans	10	5,101,203	4,526,820
Loans		5,277,113	4,650,605
Transferred loans with coobligation		296,223	314,572
Allowance for loan losses		(472,133)	(438,357)
Other receivables		29,277,274	27,426,943
Credits by honored endorsements and sureties		439,463	104,349
Foreign exchange portfolio	11	18,108,263	11,906,964
Income receivable	12	547,100	2,084,475
Securities trading and brokerage	11	5,307,180	2,614,973
Sundry	12	4,881,289	10,723,864
Allowance for losses on other receivables		(6,021)	(7,682)
Other assets		24,014	21,176
Other assets		2,569	2,852
Prepaid expenses		21,445	18,324
Long-term-assets		42,770,295	42,364,661
Interbank investments	7	4,148,050	5,430,633
Open market investments		4,116,293	5,430,633
Interbank deposits		31,757	-
Securities and derivative financial instruments		22,828,031	22,102,904
Own portfolio	8	1,018,191	891,103
Subject to repurchase agreements	8	568,139	709,234
Derivative financial instruments	9	21,230,642	20,457,782
Subject to guarantees	8	11,059	44,785
Interbank transactions		186,018	207,263
Restricted credits – National Housing System		186,018	207,263
Loans	10	9,405,590	7,924,516
Loans		9,676,004	8,053,861
Transferred loans with coobligation		29,390	118,955
Allowance for loan losses		(299,804)	(248,300)
Other receivables		6,172,084	6,626,629
Sundry	12	6,448,218	6,736,927
Allowance for losses on other receivables		(276,134)	(110,298)
Other assets		30,522	72,716
Temporary investments		-	52,149
Other assets		82,909	72,635
Prepaid expenses		9,175	9,494
Provision for losses on other assets		(61,562)	(61,562)
Permanent assets		13,008,211	11,300,638
Investments		12,910,328	11,195,904
Investments in subsidiaries, associates and jointly controlled entities - in Brazil	13	10,476,068	8,612,903
Investments in subsidiaries, associates and jointly controlled entities - abroad	13	2,432,895	2,581,636
Other investments		4,232	4,232
Allowance for losses in investments		(2,867)	(2,867)
Property and equipment in use		37,264	37,029
Other property and equipment in use		153,736	148,044
Accumulated depreciation		(116,472)	(111,015)
Intangible assets	14	60,619	67,705
Other intangible assets		213,263	209,066
Accumulated amortization		(152,644)	(141,361)
Total assets		168,122,969	155,138,971

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

# BANCO BTG PACTUAL S.A.

## Balance sheets

As at June, 30, 2018 and December 31, 2017

(In thousands of reais)

	Note	30/06/2018	31/12/2017
Liabilities			
Current liabilities		108,578,323	83,476,721
Deposits	15	20,752,418	15,860,404
Demand deposits		139,271	109,111
Interbank deposits - with associates, jointly controlled ans subsidiaries		428,427	3,275,614
Interbank deposits		161,328	115,411
Time deposits		20,023,392	12,360,268
Open market funding	15	41,612,209	23,367,115
Own portfolio		2,612,166	3,612,836
Third-party portfolio		29,801,140	14,983,540
Unrestricted portfolio		9,198,903	4,770,739
Funds from securities issued and accepted	15	3,311,049	2,671,463
Real estate, mortgage, credit and similar notes		3,167,066	2,522,418
Securities issued abroad		106,662	72,776
Certificate of structured transactions		37,321	76,269
Interbank transactions		6,295	5,388
Unsettled receipts and payments		6,295	5,388
Interdependencies transactions		144,844	24,356
Unsettled third party assets		144,844	24,356
Loans and borrowings	15	3,955,158	1,277,317
Loans abroad		1,805,979	1,231,495
Borrowings in Brazil – official institutions		2,149,179	45,822
Derivative financial instruments	9	16,185,216	23,186,480
Derivative financial instruments		16,185,216	23,186,480
Other liabilities		22,611,134	17,084,198
Collection and payments of tax and similar charges		5,472	7,812
Foreign exchange portfolio	11	17,682,481	11,620,375
Social and statutory	16	208,790	945,975
Tax and social security	16	93,398	2,063,321
Securities trading and brokerage	11	2,817,056	1,926,149
Subordinated debt	15	1,623,089	391,775
Sundry	16	180,848	128,791
Long-term liabilities		40,264,224	53,110,879
Deposits	15	850,235	804,223
Interbank deposits		16,585	25,732
Time deposits		833,650	778,491
Open market funding	15	1,064,643	11,051,161
Own portfolio		-	503,004
Third-party portfolio		-	9,266,150
Unrestricted portfolio		1,064,643	1,282,007
Funds from securities issued and accepted	15	8,439,804	6,990,911
Real estate, mortgage, credit and similar notes		4,316,851	3,810,036
Securities issued abroad		4,023,629	3,180,875
Certificate of structured transactions		99,324	-
Loans and onlending	15	1,280,519	3,346,351
Loans abroad		696,329	688,623
Onlending in Brazil – official institutions		584,190	2,657,728
Derivative financial instruments	9	18,427,181	18,272,610
Derivative financial instruments		18,427,181	18,272,610
Other liabilities		10,201,842	12,645,623
Tax and social security	16	27,567	10,270
Subordinated debt	15	4,255,237	5,965,008
Debt instrument eligible to equity	15	3,559,807	3,043,309
Sundry	16	2,359,231	3,627,036
Deferred income		115,906	82,144
Shareholders' equity	19	19,164,516	18,469,227
Capital stock - domiciled in Brazil		4,898,856	4,898,856
Capital stock - domiciled Abroad		2,493,236	2,493,236
Capital Reserve		652,515	652,515
Asset valuation adjustment		1,591,286	428,577
Income reserves		9,592,409	10,089,106
Treasury shares		(277,325)	(93,063)
Retained earnings		213,539	-
Total liabilities and shareholders' equity		168,122,969	155,138,971

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

## BANCO BTG PACTUAL S.A.

### Statements of income

Quarters and semesters ended June 30

(In thousands of reais, except for earnings per share)

	Note	Quarter ended:		Semester ended:	
		30/06/2018	30/06/2017	30/06/2018	30/06/2017
Financial income		2,154,408	1,766,170	3,037,122	3,740,422
Loans		252,614	193,697	467,872	606,628
Securities		1,790,068	1,531,883	2,266,136	2,637,720
Derivative financial instruments		-	-	-	155,390
Foreign exchange		89,259	-	265,216	246,461
Mandatory investments		22,467	40,590	37,898	94,223
Financial expenses		(4,215,677)	(2,522,670)	(4,821,495)	(3,408,148)
Funding operations		(1,049,234)	(1,149,046)	(2,170,387)	(3,043,973)
Derivative financial instruments		(1,878,012)	(827,073)	(1,083,961)	-
Foreign exchange		-	(169,569)	-	-
Borrowings		(1,278,230)	(316,432)	(1,496,578)	(193,131)
Allowance for loan losses and other receivables	10	(10,201)	(60,550)	(70,569)	(171,044)
Net financial income		(2,061,269)	(756,500)	(1,784,373)	332,274
Other operating income (expenses)		860,811	353,266	1,106,435	612,002
Income from services rendered	20	273,800	100,075	437,137	323,268
Personnel expenses		(72,159)	(60,533)	(146,810)	(121,283)
Other administrative expenses	23	(160,081)	(171,587)	(337,753)	(317,125)
Tax charges	24	57,145	46,716	30,561	(38,596)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	788,354	495,815	1,139,896	764,579
Other operating income	21	58,987	29,611	120,888	153,910
Other operating expenses	22	(85,235)	(86,831)	(137,484)	(152,751)
Operating income		(1,200,458)	(403,234)	(677,938)	944,276
Non-operating income		118,423	31,613	118,423	2,792
Income / (loss) before taxation and profit sharing		(1,082,035)	(371,621)	(559,515)	947,068
Income tax and social contribution	18	893,640	533,452	909,612	233,257
Provision for income tax		-	3,151	-	3,768
Provision for social contribution		-	-	-	2,952
Deferred income tax and social contribution		893,640	530,301	909,612	226,537
Statutory profit sharing		(64,732)	(37,581)	(125,673)	(183,442)
Net income for the quarter / semester		(253,127)	124,250	224,424	996,883
Interest on equity		-	(630,000)	353	(623,776)
Weighted average numbers of share outstanding		2,778,465,411	2,755,152,644	2,778,465,411	2,766,744,628
Net income per share - R\$		(0.09)	0.05	0.08	0.36

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

## BANCO BTG PACTUAL S.A.

### Statements of changes in shareholders' equity

Semesters ended June 30

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

	Note	Capital	Capital reserve	Income reserves					Asset valuation adjustment	Treasury shares	Retained earnings	Total
				Special earnings reserve	Legal	Unrealized	Statutory	Total				
Balances as at December 31, 2016		7,220,526	652,515	-	1,078,199	3,236,533	5,516,059	9,830,791	39,756	(70,834)	-	17,672,754
Own shares acquired	19b	-	-	-	-	-	-	-	-	(215,281)	-	(215,281)
Cancellation of treasury shares	19b	-	-	-	-	-	(199,560)	(199,560)	-	199,560	-	-
Interest on equity received by on shares repurchase	19b	-	-	-	-	-	-	-	-	-	6,224	6,224
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	(1,576)	-	-	(1,576)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(2,475)	-	-	(2,475)
Exchange variation of investments		-	-	-	-	-	-	-	198,315	-	-	198,315
Net income for the semester		-	-	-	-	-	-	-	-	-	996,883	996,883
Net income allocation												
Income reserve		-	-	-	49,844	-	-	49,844	-	-	(49,844)	-
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	-	-	-	(630,000)	(630,000)
Balances as at June 30, 2017		<u>7,220,526</u>	<u>652,515</u>	<u>-</u>	<u>1,128,043</u>	<u>3,236,533</u>	<u>5,316,499</u>	<u>9,681,075</u>	<u>234,020</u>	<u>(86,555)</u>	<u>323,263</u>	<u>18,024,844</u>
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,826	6,103,773	10,089,106	428,577	(93,063)	-	18,469,227
Own shares acquired	19b	-	-	-	-	-	-	-	-	(184,262)	-	(184,262)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	353	353
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(88,108)	-	-	(88,108)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	215,968	-	-	215,968
Exchange variation of investments	13	-	-	-	-	-	-	-	1,034,849	-	-	1,034,849
Intermediate interest on equity (R\$0.22 per share)	19	-	-	600,000	-	-	(600,000)	-	-	-	-	-
Changes in accounting practices of associates	2	-	-	-	-	-	(507,935)	(507,935)	-	-	-	(507,935)
Net income for the semester		-	-	-	-	-	-	-	-	-	224,424	224,424
Net income allocation												
Income reserve		-	-	-	11,238	-	-	11,238	-	-	(11,238)	-
Balances as at June 30, 2018		<u>7,392,092</u>	<u>652,515</u>	<u>600,000</u>	<u>1,192,745</u>	<u>2,803,826</u>	<u>4,995,838</u>	<u>9,592,409</u>	<u>1,591,286</u>	<u>(277,325)</u>	<u>213,539</u>	<u>19,164,516</u>

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

# BANCO BTG PACTUAL S.A.

## Statements of cash flows

Semesters ended June 30

(In thousands of reais)

	Note	30/06/2018	30/06/2017
Operating activities			
Net income for the semester		224,424	996,883
Adjustments to net income		(1,306,085)	(441,198)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	(1,159,807)	(800,837)
Interest expense with subordinated debt and debt instrument eligible to equity		728,561	532,042
Permanent assets exchange variation		(507)	(14)
Goodwill amortization		19,911	36,258
Deferred income tax and social contribution	18	(909,612)	(226,537)
Depreciation and amortization	23	15,369	17,890
Adjusted net income for the semester		(1,081,661)	555,685
Operational activities			
Short-term interbank investments		(9,886,378)	2,838,551
Securities and derivative financial instruments		504,021	4,324,327
Loans		(2,055,456)	(1,267,173)
Other receivables and other assets		(3,044,540)	8,751,854
Interbank transactions		(542,743)	399,836
Interdependencies transactions		120,488	(55,090)
Other liabilities		6,255,150	(6,695,998)
Deferred income		33,762	8,788
Deposits		4,938,026	2,197,662
Open market funding		8,258,577	3,411,016
Loans and borrowings		612,009	336,852
Cash provided by operating activities		4,111,255	14,806,310
Investing activities			
Acquisition / (sale) of investments and capital increase	13	(271,104)	1,306,240
Sale of property and equipment in use		137	-
Acquisition of property and equipment in use		(5,784)	(751)
Acquisition of intangible assets	14	(2,363)	(9,830)
Dividends and interest on equity received	13	197,747	210,349
Cash (used in) / provided by investing activities		(81,367)	1,506,008
Financing activities			
Acquisition of treasury shares		(184,262)	(215,281)
Funds from securities issued and accepted		2,088,479	(1,355,297)
Subordinated debt and debt instrument eligible to equity		(690,520)	(942,084)
Interest on equity	19	(608,622)	(883,776)
Cash provided by / (used in) financing activities		605,075	(3,396,438)
Increase in cash and cash equivalents	27	4,634,963	12,915,880
Balance of cash and cash equivalents			
At the beginning of the semester		22,446,290	13,251,905
At the end of the semester		27,081,253	26,167,785
Increase in cash and cash equivalents		4,634,963	12,915,880
Noncash transactions		73,391	2,719,824
Interest on equity	19	-	(630,000)
Acquisition / sale of investments	13	161,499	3,352,299
Changes in fair value of assets available for sale		(88,108)	(2,475)

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

## BANCO BTG PACTUAL S.A.

### Statements of value added

Semesters ended June 30

(In thousands of reais)

	Note	30/06/2018	30/06/2017
Income		3,576,087	4,067,641
Financial income		3,037,122	3,740,422
Services rendered	20	437,137	323,268
Other		101,828	3,951
Expenses		(4,821,495)	(3,408,148)
Financial brokerage		(4,750,926)	(3,237,104)
Allowance for loan losses and other receivables	10	(70,569)	(171,044)
Inputs acquired from third parties		(301,770)	(279,462)
Materials, energy and other		(3,750)	(3,147)
Outsourced services		(298,020)	(276,315)
Gross value added		(1,547,178)	380,031
Depreciation and amortization	23	(15,369)	(17,890)
Net value added produced by the entity		(1,562,547)	362,141
Value added received through transfer		1,139,896	764,579
Equity pick up in subsidiaries, associates and jointly controlled entities	13	1,139,896	764,579
Value added to be distributed		(422,651)	1,126,720
Distribution of value added		(422,651)	1,126,720
Personnel		272,483	304,725
Direct compensation		226,519	268,942
Benefits		39,710	30,381
FGTS – government severance pay fund		6,254	5,402
Taxes, fees and contributions		(940,173)	(194,661)
Federal		(962,500)	(208,364)
Municipal		22,327	13,703
Remuneration of third party capital		20,615	19,773
Rent		20,615	19,773
Remuneration of shareholders		224,424	996,883
Retained earnings		224,777	373,107
Interest on equity		(353)	623,776

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

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

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### **1. Operations**

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

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

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

#### **New unit programs**

On February 14, 2017 the Board of Directors approved two new unit programs, whose units will be traded on the B3 S.A., representing exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the PPLA11 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations Ltd (previously named BTG Pactual Participations Ltd).

In August 2017, considering a notice from B3 S.A. regarding the the trading price of PPLA11 units approaching R\$1.00 per unit, the Companies analyzed potential structure to meet the requirements of the applicable regulation.

The Boards of Directors of the Companies approved BBTG11 unit holders to receive units from the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. From the beginning of the trading session on August 21, 2017 to the end of the trading session on August 18, 2017, each holder of the BPAC 11 units automatically received one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit, without any other significant changes.

### **2. Corporate restructuring and acquisitions**

#### **Corporate reorganizations**

On April 20, 2018, Banco Pan SA informed its shareholders and the market in general that the capital increase of the company authorized by its Board of Directors was approved by the Central Bank of Brazil on February 7, 2018. After the capital increase, BTG Pactual now holds approximately 577,662 shares issued by Banco Pan SA, corresponding to 50.6% of its Capital Stock.

Despite the new composition of the company's capital stock, the shared control of Banco Pan SA was not altered, and Caixa Participações S.A. - Caixapar and BTG Pactual remain as co-controllers of the company.

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

Notes to the financial statements

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(In thousands of reais, except otherwise indicated )

On October 27, 2017, the Bank approved the merger of Thor Comercializadora de Energia S.A., a company whose main activity is the sale of energy, and BTG Pactual Serviços Energéticos Ltda, a company that provides financial administrative services involving the sale of energy. The merger was concluded on March 29, 2018.

On January 2017, the shareholders of BTG Pactual approved without qualification, the merger of BTG Pactual Comercializadora de Energia Ltda by the Bank. On May 31, 2017, the BTG Comercializadora Ltda was merged by BTG Pactual.

During the year ended December 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% of its own shares held by the Bank. The total consideration paid was US\$251 million and the price was equivalent to Engelhart CTP's net asset accounting value. On June 30, 2018 the Group has a stake equivalent to 18.96% of Engelhart CTP (December 31, 2017 – 19.44%). During the semester ended on June 30, 2018, Engelhart CTP did not acquire its own shares held by the Bank.

### **Acquisitions and disposals**

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$508.7 million as a reduction of the Statutory Reserve.

On March 15, 2017, BTG Pactual received a notification from EFG claiming purchase price adjustments under the documents for the sale of BSI, of approximately CHF278 million in favor of EFG International ("EFG"). After careful review of such proposed adjustments and based on available information as at this date, BTG Pactual, after taking into consideration the input from its advisers, concluded the appropriate adjustment on a risk-adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiation with EFG, the Bank has agreed to return CHF 89 million of the amount previously paid by EFG. The resolution of this matter includes the CHF 95 million fine previously imposed by FINMA on BSI.

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R\$400 million. CaixaPar assigned to Banco its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February 7, 2018.

On October 31, 2017, BW Properties S.A., through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., concluded the sale of the remaining portion of the WT Morumbi project for a total amount of R\$ 231.8 million.

On October 5, 2017, the Bank acquired Novaportfólio, a company that holds certain NPL assets of Banco BVA S.A. in connection with its extrajudicial liquidation, for a consideration of R\$211 million.

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

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

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

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

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by BACEN requires management to use its judgment to determine and register accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with uncertain tax position, the provision for contingent liabilities and fair value measurement on financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent uncertainties to its determination. The Bank periodically reviews these estimates and assumptions.

The financial statements were approved by Bank's Management on August 7, 2018, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

#### **Functional currency**

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

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

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

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

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### **4. Significant accounting practices**

The significant accounting practices adopted by the Bank are the following:

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

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

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

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

#### **c. Securities**

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

##### **i. Trading securities**

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

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

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

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

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, with interest recorded on profit or loss. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, are recorded in statements of income as realized losses.

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

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

Notes to the financial statements

June 30, 2018

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

These are classified according to Management's intention, on the transaction date, considering whether such transactions will be conducted to hedge against risk or not.

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

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

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

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

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

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

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

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June 30, 2018

(In thousands of reais, except otherwise indicated )

Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, adjusted at fair value, with a corresponding entry to statements of income.

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

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

Financial assets and liabilities are presented as net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recorded and if there is an intention to simultaneously realize the asset and settle the liability.

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

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

### **h. Loans and other receivables (transactions with loan characteristics)**

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

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

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

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

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

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### **j. Investments**

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

### **k. Foreign currency translation**

See note 3.

### **l. Goodwill or negative goodwill**

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

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

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

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

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

### **n. Intangible assets**

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

### **o. Impairment**

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

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

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

Notes to the financial statements

June 30, 2018

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

The provisions for income tax and social contribution are recorded based on accounting profits, adjusted by additions and deductions according to the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution.

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

Recognized according to the criteria described below:

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

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

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

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

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

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

### **r. Earnings per share**

Calculated based on the weighted average numbers of shares outstanding for the period.

### **s. Revenue recognition**

Revenues and expenses are recorded on the accrual basis.

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

June 30, 2018

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### 5. Risk management

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

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

#### a. Operating limits

	30/06/2018	31/12/2017
Reference Shareholders' Equity	19,164,516	18,469,227
Tier I	13,485,344	14,773,238
Common Equity	9,949,687	11,752,635
Complementary equity	3,535,657	3,020,603
Tier II	2,057,576	2,369,416
Reference Shareholders' Equity (PR) - (a)	15,542,920	17,142,654
Required Reference Shareholders' Equity (PRE)	7,754,796	8,787,351
Total exposure risk-weighted - (b)	89,910,675	94,998,390
Credit risk	57,021,780	56,089,429
Operational risk	8,934,201	4,615,858
Market risk	23,954,694	34,293,103
Basel ratio - (a/b)	17.3%	18.0%
Tier I capital	15.0%	15.5%
Tier II capital	2.3%	2.5%
Fixed assets ratio	69.1%	61.6%
Fixed assets to equity capital ratio	7,761,993	8,562,702
Status for fixed assets to equity capital ratio	5,366,657	5,272,947
Amount of margin or insufficient	2,395,336	3,289,755

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

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

As at the semester ended June 30, 2018 and December 31, 2017 the Bank was in compliance with all operating limits.

### b. Market risk

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

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

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

In millions of R\$	June 2018	December 2017	June 2017
Daily average VaR	75.4	120.3	103.4

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

Notes to the financial statements

June 30, 2018

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### **c. Credit risk**

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

### **d. Liquidity risk**

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

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

## **6. Cash at banks**

Cash refer basically to deposits abroad in prime banks.

## BANCO BTG PACTUAL S.A.

### Notes to the financial statements

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## 7. Interbank investments

	30/06/2018					31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	47,280,262	36,185,240	6,978,729	4,058,389	57,904	31,265,102
Own portfolio	7,146,433	4,099,882	1,908,285	1,138,266	-	2,030,139
Federal government bonds	7,136,762	4,090,211	1,908,285	1,138,266	-	1,978,842
Corporate bonds	9,671	9,671	-	-	-	51,297
Third-party portfolio	30,115,554	25,123,268	2,959,356	2,025,832	7,098	24,054,958
Federal government bonds	29,617,846	24,625,560	2,959,356	2,025,832	7,098	23,906,303
Corporate bonds	497,708	497,708	-	-	-	148,655
Short position	10,018,275	6,962,090	2,111,088	894,291	50,806	5,180,005
Federal government bonds	10,018,275	6,962,090	2,111,088	894,291	50,806	5,180,005
Interbank investments	1,456,173	1,206,360	218,056	31,757	-	1,302,441
Interbank deposit certificates	307,316	57,503	218,056	31,757	-	628,155
Investments in foreign currency - overnight	1,148,857	1,148,857	-	-	-	674,286
Total	48,736,435	37,391,600	7,196,785	4,090,146	57,904	32,567,543

As at June 30, 2018 the collateral received in repurchase agreements amounts to R\$48,032,447 (December 31, 2017- R\$31,955,378), whereas the collateral granted amounts to R\$43,768,267 (December 31, 2017 – R\$34,415,417).

## 8. Securities

### a. Summary by type of portfolio

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

	30/06/2018							31/12/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	18,925,634	18,626,465	16,918,927	275,044	309,366	228,298	894,830	17,185,456
Federal government bonds	139,934	139,941	85,443	1,630	2,053	39,817	10,998	98,092
Debentures/Eurobonds (i)	797,179	656,620	358	7,775	280,252	138,971	229,264	457,646
Certificate of real estate receivables	305,979	280,869	2,490	-	2,834	1,442	274,103	352,536
Investment fund quotes								
Multimarket	9,008,834	9,008,834	9,008,834	-	-	-	-	3,835,566
Shares	20,067	20,067	20,067	-	-	-	-	-
FIDC - Credit rights	600,060	600,060	600,060	-	-	-	-	380,703
Equity investment fund	713,244	713,244	713,244	-	-	-	-	4,251,668
Real estate	140,573	140,573	140,573	-	-	-	-	90,262
Shares	6,454,243	6,324,602	6,071,042	253,560	-	-	-	6,748,082
Others	236,538	254,259	225,322	3,234	-	11,285	14,418	385,618
Foreign private securities	365,543	345,978	-	1,735	20,319	23,472	300,452	256,427
Foreign government bonds	143,440	141,418	51,494	7,110	3,908	13,311	65,595	328,856
Unrestricted portfolio	19,192	19,187	320	-	5,963	12,904	-	144,227
Federal government bonds	19,192	19,187	320	-	5,963	12,904	-	144,227
Subject to repurchase agreements	2,411,612	2,375,804	855,214	114,903	404,887	646,010	354,790	3,720,777
Federal government bonds	1,310,615	1,309,609	828,826	-	36,029	424,126	20,628	2,722,577
Corporate bonds / Eurobonds (i)	706,480	674,881	19,913	86,829	122,835	220,172	225,132	743,001
Certificate of real estate receivables	6,475	6,475	6,475	-	-	-	-	-
Foreign private securities	148,562	146,623	-	19,991	55,342	1,712	69,578	147,327
Foreign government bonds	218,940	217,657	-	-	190,681	-	26,976	107,872
Others	20,540	20,559	-	8,083	-	-	12,476	-

## BANCO BTG PACTUAL S.A.

### Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

	30/06/2018							31/12/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Subject to guarantees	978,730	954,306	526,868	69,672	251,146	106,620	-	696,733
Federal government bonds	533,237	532,796	125,672	60,417	240,087	106,620	-	307,399
Investment fund quotes								
Multimarket	31,277	31,277	31,277	-	-	-	-	30,322
Bank credit certificate	-	-	-	-	-	-	-	54,578
Certificate of real estate receivables	11,059	11,059	-	-	11,059	-	-	14,463
Shares	348,902	324,919	324,919	-	-	-	-	289,971
Others	54,255	54,255	45,000	9,255	-	-	-	-
Trading securities	20,079,315	19,917,548	17,930,377	369,746	571,740	639,795	405,890	20,033,432
Available for sale securities	2,255,853	2,058,214	370,952	89,873	399,622	354,037	843,730	1,713,761
Total	22,335,168	21,975,762	18,301,329	459,619	971,362	993,832	1,249,620	21,747,193

(i) Substantially securities issued by Brazilian companies.

### b. Trading securities

	30/06/2018							31/12/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	17,418,597	17,285,468	16,599,165	272,000	43,638	94,433	276,232	16,259,481
Federal government bonds	139,934	139,941	85,443	1,630	2,053	39,817	10,998	98,092
Debentures/Eurobonds	130,753	128,631	-	4,731	17,358	5,891	100,651	185,504
Certificate of real estate receivables	3,145	3,147	2,490	-	-	657	-	44,412
Investment fund quotes								
Multimarket	9,008,834	9,008,834	9,008,834	-	-	-	-	3,835,566
Shares	20,067	20,067	20,067	-	-	-	-	-
FIDC - Credit rights	600,060	600,060	600,060	-	-	-	-	380,703
Equity investment fund	598,000	598,000	598,000	-	-	-	-	4,082,937
Real estate	140,573	140,573	140,573	-	-	-	-	90,262
Shares	6,454,243	6,324,602	6,071,042	253,560	-	-	-	6,748,082
Others	29,425	49,637	21,162	3,234	-	11,285	13,956	385,618
Foreign private securities	150,123	130,558	-	1,735	20,319	23,472	85,032	79,449
Foreign government bonds	143,440	141,418	51,494	7,110	3,908	13,311	65,595	328,856
Unrestricted portfolio	19,192	19,187	320	-	5,963	12,904	-	144,227
Federal government bonds	19,192	19,187	320	-	5,963	12,904	-	144,227
Subject to repurchase agreements	1,705,132	1,700,923	835,301	28,074	282,052	425,838	129,658	2,977,776
Federal government bonds	1,310,615	1,309,609	828,826	-	36,029	424,126	20,628	2,722,577
Certificate of real estate receivables	6,475	6,475	6,475	-	-	-	-	-
Foreign private securities	148,562	146,623	-	19,991	55,342	1,712	69,578	147,327
Foreign government bonds	218,940	217,657	-	-	190,681	-	26,976	107,872
Others	20,540	20,559	-	8,083	-	-	12,476	-
Subject to guarantees	936,394	911,970	495,591	69,672	240,087	106,620	-	651,948
Federal government bonds	533,237	532,796	125,672	60,417	240,087	106,620	-	307,399
Investment fund quotes								
Bank credit certificate	-	-	-	-	-	-	-	54,578
Shares	348,902	324,919	324,919	-	-	-	-	289,971
Others	54,255	54,255	45,000	9,255	-	-	-	-
Total	20,079,315	19,917,548	17,930,377	369,746	571,740	639,795	405,890	20,033,432

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### c. Available-for-sale securities

	30/06/2018							31/12/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	1,507,037	1,340,997	319,762	3,044	265,728	133,865	618,598	925,975
Debentures	666,426	527,989	358	3,044	262,894	133,080	128,613	272,142
Certificate of real estate receivables	302,834	277,722	-	-	2,834	785	274,103	308,124
Foreign private securities	215,420	215,420	-	-	-	-	215,420	176,978
Other	207,113	204,622	204,160	-	-	-	462	-
Investment fund quotes								
Equity investment fund	115,244	115,244	115,244	-	-	-	-	168,731
Subject to repurchase agreements	706,480	674,881	19,913	86,829	122,835	220,172	225,132	743,001
Debentures	706,480	674,881	19,913	86,829	122,835	220,172	225,132	743,001
Subject to guarantees	42,336	42,336	31,277	-	11,059	-	-	44,785
Investment fund quotes								
Multimarket	31,277	31,277	31,277	-	-	-	-	30,322
Certificate of real estate receivables	11,059	11,059	-	-	11,059	-	-	14,463
Total	2,255,853	2,058,214	370,952	89,873	399,622	354,037	843,730	1,713,761

### d. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the semester ended on June 30, 2018 and December 31, 2017.

## 9. Derivative financial instruments

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

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

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

As at the semester ended June 30, 2018 and December 31, 2017, the Bank does not have derivative financial instruments classified as hedge accounting.

## BANCO BTG PACTUAL S.A.

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

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward (NDF) and Deliverable Forward (DF) derivatives in the table below.

	30/06/2018				31/12/2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	17,815,260	3,139,155	8,807,649	29,762,064	-
Currency	4,628,247	-	-	4,628,247	-
Interest rate	13,164,064	3,139,155	8,622,087	24,925,306	-
Index	22,949	-	185,562	208,511	-
Other	-	-	-	-	-
Short position	29,366,574	2,390,341	7,095,163	38,852,078	-
Currency	7,254	-	-	7,254	-
Interest rate	28,543,594	2,390,341	7,012,948	37,946,883	-
Index	814,193	-	82,215	896,408	-
Equities	968	-	-	968	-
Other	565	-	-	565	-
Swap					
Long position	40,073,145	14,067,119	81,613,770	135,754,034	170,377,175
Currency	919,872	526,478	60,923,308	62,369,658	4,790,408
Interest rate	37,111,872	12,782,331	16,950,622	66,844,825	154,142,924
Commodities	36,433	2,823	-	39,256	21,680
Index	933,930	385,915	2,993,120	4,312,965	6,776,035
Equities	288,140	269,045	461,805	1,018,990	571,157
Other	782,898	100,527	284,915	1,168,340	4,074,971
Short position	40,073,145	14,067,119	81,613,770	135,754,034	170,377,175
Currency	10,213,948	699,405	4,063,975	14,977,328	4,790,406
Interest rate	27,529,793	11,908,180	72,915,053	112,353,026	157,297,074
Index	1,546,068	856,715	3,815,817	6,218,600	6,805,004
Commodities	40,164	2,823	-	42,987	19,980
Equities	186,157	419,191	82,220	687,568	568,020
Other	557,015	180,805	736,705	1,474,525	896,691
Credit derivatives					
Long position	1,182,959	674,765	379,989	2,237,713	138,274
Sovereign	1,182,959	674,765	283,594	2,141,318	-
Corporate	-	-	96,395	96,395	138,274
Short position	-	-	1,715,831	1,715,831	-
Sovereign	-	-	212,069	212,069	-
Corporate	-	-	1,503,762	1,503,762	-
Non-deliverable forward - NDF					
Long position	104,947,563	5,437,358	10,272,437	120,657,358	102,782,116
Currency	102,345,089	3,624,999	6,213,565	112,183,653	73,374,617
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Commodities	-	-	-	-	27,434,820
Interest rate	-	-	-	-	1,972,679
Short position	104,947,563	5,437,358	10,272,437	120,657,358	102,782,116
Currency	95,083,053	2,414,107	5,866,860	103,364,020	73,374,617
Interest rate	7,251,284	1,208,774	346,705	8,806,763	1,972,679
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Commodities	-	-	-	-	27,434,820
Other	10,752	2,118	-	12,870	-
Deliverable forward - DF					

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### Notes to the financial statements

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	30/06/2018				31/12/2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Long position	-	-	-	-	10,013,991
Currency	-	-	-	-	10,013,991
Short position	-	-	-	-	10,013,991
Currency	-	-	-	-	10,013,991
Security forwards					
Long position	1,897,391	-	-	1,897,391	1,037,415
Interest rate	1,399,202	-	-	1,399,202	716,003
Government bonds	498,189	-	-	498,189	321,412
Short position	1,897,391	-	-	1,897,391	1,037,415
Interest rate	1,399,202	-	-	1,399,202	716,003
Government bonds	498,189	-	-	498,189	321,412
Options					
Long position					
Call option	20,592,138	21,984,233	94,381,196	136,957,567	210,034,869
Equities	141,187	306,305	196,911	644,403	665,583
Corporate	-	-	-	-	2,492
Index	682,189	500	3,443	686,132	1,211,119
Currency	9,804,082	21,677,428	94,180,842	125,662,352	208,155,675
Interest rate	9,964,680	-	-	9,964,680	-
Put option	21,048,165	12,305,119	118,628,744	151,982,028	264,929,207
Equities	3,728,699	102,179	175,202	4,006,080	228,682
Corporate	-	-	-	-	224,922
Index	-	-	-	-	244,493
Currency	6,070,753	12,202,940	118,453,542	136,727,235	239,160,215
Interest rate	11,248,713	-	-	11,248,713	25,070,895
Short position					
Call option	16,485,978	8,563,520	118,689,476	143,738,974	234,965,087
Equities	85,337	640	34,189	120,166	134,748
Index	361	585	189,805	190,751	1,746,045
Currency	5,884,220	8,562,295	118,465,482	132,911,997	233,084,294
Interest rate	10,516,060	-	-	10,516,060	-
Put option	17,763,717	24,368,559	94,171,290	136,303,566	229,557,958
Equities	28,372	308	316	28,996	185,692
Index	616,583	-	-	616,583	82,645
Currency	5,870,049	24,368,251	94,170,974	124,409,274	204,230,929
Interest rate	11,248,713	-	-	11,248,713	25,058,692

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### b. By cost and market value

	30/06/2018					31/12/2017
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Swaps						
Long position	759,857	977,481	111,445	134,572	731,464	1,194,383
Short position	1,426,215	1,888,071	277,524	188,758	1,421,789	1,775,867
Credit derivatives						
Long position	101,401	47,303	11,648	13,166	22,489	99,152
Short position	51,491	35,597	-	-	35,597	-
Non-deliverable forward - NDF						
Long position	5,798,395	5,810,834	4,647,891	428,045	734,898	3,941,913
Short position	4,916,296	4,942,397	4,576,955	167,244	198,198	4,100,455
Deliverable forward - DF						
Long position	-	-	-	-	-	9,779,066
Short position	-	-	-	-	-	9,834,202
Forward transaction						
Long position	1,897,975	1,897,975	1,897,975	-	-	521,056
Short position	1,898,317	1,898,317	1,898,317	-	-	518,539
Options market						
Long position	30,121,937	21,407,860	888,189	777,880	19,741,791	22,034,905
Short position	29,323,829	25,848,015	4,900,877	4,175,541	16,771,597	25,230,027
<b>Long position</b>	<b>38,679,565</b>	<b>30,141,453</b>	<b>7,557,148</b>	<b>1,353,663</b>	<b>21,230,642</b>	<b>37,570,475</b>
<b>Short position</b>	<b>37,616,148</b>	<b>34,612,397</b>	<b>11,653,673</b>	<b>4,531,543</b>	<b>18,427,181</b>	<b>41,459,090</b>

### c. Notional value by counterparty

	30/06/2018					31/12/2017
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	23,011,179	6,750,885	-	-	29,762,064	-
Short position	31,388,051	7,464,027	-	-	38,852,078	-
Swap						
Long position	-	133,527,607	2,213,777	12,650	135,754,034	170,377,175
Short position	-	133,527,607	2,213,777	12,650	135,754,034	170,377,175
Credit derivatives						
Long position	-	2,237,713	-	-	2,237,713	138,274
Short position	-	1,715,831	-	-	1,715,831	-
Non-deliverable forward - NDF						
Long position	-	106,824,618	13,627,410	205,330	120,657,358	102,782,116
Short position	-	106,824,618	13,627,410	205,330	120,657,358	102,782,116
Deliverable forward - DF						
Long position	-	-	-	-	-	10,013,991
Short position	-	-	-	-	-	10,013,991

## BANCO BTG PACTUAL S.A.

### Notes to the financial statements

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	30/06/2018				31/12/2017
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total
Forward transactions					
Long position	-	1,897,391	-	-	1,897,391
Short position	-	1,897,391	-	-	1,897,391
Options market					
Long position	-	288,908,710	-	30,885	288,939,595
Short position	-	279,970,237	13,000	59,303	280,042,540
<b>Long position</b>	<b>23,011,179</b>	<b>540,146,924</b>	<b>15,841,187</b>	<b>248,865</b>	<b>579,248,155</b>
<b>Short position</b>	<b>31,388,051</b>	<b>531,399,711</b>	<b>15,854,187</b>	<b>277,283</b>	<b>578,919,232</b>

(i) Includes investments funds.

#### d. Credit derivatives

	30/06/2018	31/12/2017
Credit swap		
Transferred risk		
Sovereign	2,141,319	-
Corporate	96,395	138,274
Risk received		
Sovereign	(212,069)	-
Corporate	(1,503,762)	-
	<b>521,883</b>	<b>138,274</b>

During the semester ended June 30, 2018 and year December 31, 2017, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at June 30, 2018 is R\$182,216 (December 31, 2017 – R\$200,725).

#### e. Guarantee margin

Guarantee margin in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government bonds and others, totaling R\$122,858 (December 31, 2017 – R\$263,185), and equities in the amount of R\$324,919 (December 31, 2017 – R\$289,971).

#### f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on B3 S.A., Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).

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

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

### **10.Loans**

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

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

## BANCO BTG PACTUAL S.A.

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Loans and other operations with loan characteristics are as follows:

### a. Loans

#### i. By type of credit

Type of credit	30/06/2018		31/12/2017	
	Balance	Allowance	Balance	Allowance
Loans	10,435,214	(673,575)	9,012,463	(578,790)
Financing	1,660,223	(84,199)	874,443	(93,952)
FINAME/BNDES	2,857,680	(14,163)	2,817,560	(13,915)
Transferred loans with co-obligations (i)	325,613	-	433,527	-
Total	15,278,730	(771,937)	13,137,993	(686,657)

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

#### ii. By risk level and maturity

Risk level	30/06/2018						31/12/2017	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	2,737,157	321,242	4,472,984	7,531,383	-	5,888,836	-
A	2	88,350	45,726	2,713,097	2,847,175	(14,235)	2,742,250	(13,714)
B	4	87,011	69,573	738,816	895,404	(8,954)	1,115,228	(11,169)
C	360	1,096,366	378,779	693,317	2,168,822	(109,399)	1,111,945	(55,352)
D	14,618	141,428	51,896	951,542	1,159,484	(193,529)	1,596,146	(200,944)
E	76,138	23,026	22,725	86,877	208,766	(62,630)	60,986	(18,530)
F	7,815	137,015	3,287	10,602	158,719	(81,435)	561,881	(326,516)
G	231,224	32	-	2,622	233,878	(226,656)	964	(675)
H	15,533	12,079	11,950	35,537	75,099	(75,099)	59,757	(59,757)
Total	345,694	4,322,464	905,178	9,705,394	15,278,730	(771,937)	13,137,993	(686,657)

#### iii. By activity sector

Sector	30/06/2018	31/12/2017
Commerce	428,662	415,591
Industry	3,673,370	2,276,095
Services	10,539,986	9,689,040
Rural	237,668	318,936
Individuals	399,044	438,331
Total	15,278,730	13,137,993

### b. Other receivables with loans characteristics

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

#### i. By risk level and maturity

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Risk level	30/06/2018					31/12/2017		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	-	34,938	34,938	-	4,313	-
C	-	57,071	1,680	2,844	61,595	(1,656)	51,622	(1,549)
F	-	-	-	19,341	19,341	(9,670)	20,547	(10,273)
Total	-	57,071	1,680	57,123	115,874	(11,326)	76,482	(11,822)

### ii. By activity sector

Sector	30/06/2018	31/12/2017
Services	96,533	76,482
Individuals	19,341	-
Total	115,874	76,482

### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	30/06/2018					31/12/2017		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	-	-	-	-	28,602	-
A	-	21,479	-	-	21,479	(117)	-	-
B	-	187,761	169,161	-	356,922	(4,148)	113,765	(1,173)
C	-	-	54,783	-	54,783	(1,849)	124,445	(4,836)
D	-	-	34,391	-	34,391	(7,106)	30,074	(5,869)
Total	-	209,240	258,335	-	467,575	(13,220)	296,886	(11,878)

### ii. By activity sector

Sector	30/06/2018	31/12/2017
Industry	467,575	126,682
Services	-	170,204
Total	467,575	296,886

### d. Credit risk concentration

	30/06/2018	%	31/12/2017	%
Largest debtors				
10 largest debtors	8,385,472	53%	7,269,070	54%
20 following largest debtors	2,588,952	16%	2,194,728	16%
50 following largest debtors	2,262,577	14%	1,967,738	15%
100 following largest debtors	1,778,241	11%	1,439,520	11%
200 following largest debtors	789,316	5%	589,070	4%
500 following largest debtors	57,621	0%	51,235	0%
Total	15,862,179	100%	13,511,361	100%

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### e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the semester ended:

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Opening balances	(1,020,716)	(1,252,816)	(804,637)	(784,574)
Reversal/(recording) of allowance	(10,201)	(60,550)	(70,569)	(171,044)
Renegotiation of credits written off to loss	(5,296)	-	(81,615)	(369,084)
Exchange rate variation	(4,181)	32,816	(6,121)	36,561
Letter of guarantee	-	-	(80,124)	-
Allowance for guarantee	(18,700)	-	(17,686)	-
Credits written off as loss	5,000	41,446	6,658	49,037
Closing balances	<u>(1,054,094)</u>	<u>(1,239,104)</u>	<u>(1,054,094)</u>	<u>(1,239,104)</u>
Breakdown of closing balances				
Allowance for loan losses	(771,937)	(967,525)	(771,937)	(967,525)
Allowance for other receivables	(162,303)	-	(162,303)	-
Allowance for other receivables without loan characteristics (Note 10 (b))	(11,326)	(28,933)	(11,326)	(28,933)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(13,220)	(31,658)	(13,220)	(31,658)
Provision for standby letters of credit (Note 16 c)	(95,308)	(210,988)	(95,308)	(210,988)
	<u>(1,054,094)</u>	<u>(1,239,104)</u>	<u>(1,054,094)</u>	<u>(1,239,104)</u>

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

As at June 30, 2018, the amount of R\$1,143,947 were due to credit renegotiation (December 31, 2017 – R\$1,692,486). Also in the semester ended June 30, 2018 there were R\$5,050 written off loans recovered (December 31, 2017 – R\$118,526).

## 11. Other receivables/obligations

### a. Foreign exchange portfolio

	30/06/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	6,099,775	12,038,869	775,001	11,147,683
Rights on foreign exchange sales	11,999,026	-	11,129,102	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	11,799	(455,776)	2,897	(293,989)
(-) Advances in foreign currency received	(2,139)	-	-	-
(-) Advances in local currency received	(198)	-	(36)	-
Liability for foreign exchange purchase	-	6,099,388	-	766,681
Total	<u>18,108,263</u>	<u>17,682,481</u>	<u>11,906,964</u>	<u>11,620,375</u>
Current	18,108,263	17,682,481	11,906,964	11,620,375
Long term	-	-	-	-

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Notes to the financial statements

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Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$506,529 (December 31, 2017 - R\$143,577).

### b. Securities trading and brokerage

	30/06/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	637,945	268,903	360,512	239,044
Commissions and brokerage payable	-	384	-	203
Pending settlement	4,211,398	879,222	2,100,781	701,705
Unsettled third-party interbank investments	-	11,983	-	62
Creditors for stock loans	-	1,495	-	868
Securities trading and brokerage	457,837	1,655,069	153,680	984,267
Total	<u>5,307,180</u>	<u>2,817,056</u>	<u>2,614,973</u>	<u>1,926,149</u>
Current	5,307,180	2,817,056	2,614,973	1,926,149
Long term	-	-	-	-

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

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

## 12. Other receivables

### a. Income receivable

	30/06/2018	31/12/2017
Dividends and profit sharing	132,185	106,137
Receivables from services rendered	17,529	18,639
Rights on energy sales	364,507	1,925,051
Management and performance fees from investment funds and portfolios	4,019	4,022
Distribution fees	5,677	4,330
Commissions on guarantees	23,183	26,296
Total	<u>547,100</u>	<u>2,084,475</u>
Current	547,100	2,084,475
Long term	-	-

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### b. Sundry

	30/06/2018	31/12/2017
Deferred tax assets - IR/CS (Note 18)	4,760,413	3,885,341
Deferred tax assets - Others	283,548	209,296
Sundry - Brazil (i)	4,578,517	9,662,073
Judicial deposits	1,044,314	1,024,705
Taxes to offset	251,883	2,170,858
Securities and credits receivable		
With loan characteristics (Note 10(b))	115,874	76,482
Without loan characteristics	256,946	122,380
Advance to suppliers	1,501	108,237
Other	36,511	201,419
Total	11,329,507	17,460,791
Current	4,881,289	10,723,864
Long term	6,448,218	6,736,927

(i) Refers, basically to receivables from sale of investments.

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Notes to the financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated )

### 13. Investments in subsidiaries, associates companies and jointly controlled entities

	Subsidiaries, associates and jointly controlled entities					
	Shareholders Equity		Net income (loss)		Equity interest	
	30/06/2018	31/12/2017	30/06/2018	30/06/2017	30/06/2018	31/12/2017
<b>In Brazil</b>						
BTG Pactual Asset Management S.A. DTVM	417,368	364,163	54,679	29,587	99.99%	99.99%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	391,410	357,219	49,624	28,558	99.99%	99.99%
BTG Pactual Serviços Financeiros S.A. DTVM	57,048	50,528	5,842	2,285	99.99%	99.99%
BTG Pactual Holding Participações S.A.	10,418	928	124	(1)	99.99%	99.99%
BTG Pactual Holding Internacional S.A. (i)	9,199,795	8,136,572	855,539	345,199	99.99%	99.99%
BW Properties S.A.	476,561	470,892	(5,227)	(22,640)	42.72%	45.87%
Warehouse 1 Empreendimentos Imobiliários S.A.	34,713	34,337	741	5,145	35.00%	35.00%
BTG Pactual Holding de Seguros Ltda.	727,847	773,067	49,200	23,516	99.99%	99.99%
Pan Corretora S.A.	43,743	54,486	4,171	6,401	51.00%	51.00%
Banco Sistema S.A.	901,968	821,840	111,466	419,359	99.91%	99.91%
BTGP Corretora de Seguros S.A.	8,553	24,121	6,432	6,787	99.99%	99.99%
BTG Pactual Corretora de Resseguros Ltda	6,984	12,010	4,982	3,637	99.99%	99.99%
<b>Jointly-controlled entities - In Brazil</b>						
Banco Pan S.A.	4,016,378	3,555,824	98,764	46,463	50.59%	40.35%
<b>Abroad</b>						
BTG Pactual Overseas Corporation	29,312	25,252	(103)	(54)	99.99%	99.99%
BTG Pactual Chile Internacional Ltd.	67,166	56,232	1,457	(4,091)	99.99%	99.99%
Banco BTG Pactual Luxembourg S.A.	365,939	330,340	(15,970)	(203)	99.99%	99.99%
BTG Pactual S.A. Comisionista de Bolsa	-	135,777	-	3,573	99.99%	99.99%
BSI Limited (ii)	1,538,322	1,685,636	(63,218)	(47,802)	100.00%	100.00%

(i) Refers to investment vehicle used by the Bank, to invest in EFG.

(ii) The difference between the BTG Pactual Holding Internacional S.A. shareholders's equity and the Bank investments, refers to held for sale transferred.

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### Notes to the financial statements

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(In thousands of reais, except otherwise indicated )

	30/06/2017	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Changes in accounting practices of associates	Foreign exchange	Fair value adjustments	30/06/2018	Equity pick up in 30/06/2018
<b>Subsidiaries and associates - In Brazil</b>									
BTG Pactual Asset Management S.A. DTVM	364,161	-	-	54,679	(1,473)	-	-	417,367	29,587
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	357,220	-	(15,000)	49,624	(433)	-	-	391,411	28,558
BTG Pactual Serviços Financeiros S.A. DTVM	50,528	-	-	5,842	679	-	-	57,049	2,285
BTG Pactual Holding Participações S.A.	914	8,601	-	124	-	778	-	10,417	(1)
BTG Pactual Holding Internacional S.A.	4,707,838	(10,277)	-	855,538	-	462,731	(308)	6,015,522	345,199
BTG Pactual Comercializadora de Energia Ltda. (i)	-	-	-	-	-	-	-	-	(16,424)
BW Properties S.A.	210,148	-	-	(6,557)	-	-	-	203,591	(18,173)
Goodwill – BW Properties S.A.	2,322	-	-	-	-	-	-	2,322	-
Warehouse 1 Empreendimentos Imobiliários S.A.	12,017	-	-	391	-	-	-	12,408	1,801
TTG Participações Holding	-	-	-	-	-	-	-	-	3,826
BTG Pactual Holding de Seguros Ltda.	773,067	-	(92,976)	49,200	-	-	(1,443)	727,848	23,517
BTGP Corretora de Seguros S.A.	24,120	-	(22,000)	6,432	-	-	-	8,552	6,787
Pan Corretora S.A.	27,787	-	(8,253)	2,774	-	-	-	22,308	3,265
Banco Sistema S.A.	821,084	-	(29,972)	111,387	(1,367)	-	-	901,132	418,971
BTG Pactual Corretora de Resseguros Ltda	12,002	-	(10,000)	4,982	-	-	-	6,984	3,636
Other	19,740	40,173	-	(2,377)	-	-	-	57,536	(817)
	<b>7,382,948</b>	<b>38,497</b>	<b>(178,201)</b>	<b>1,132,039</b>	<b>(2,594)</b>	<b>463,509</b>	<b>(1,751)</b>	<b>8,834,447</b>	<b>832,017</b>
<b>Jointly-controlled entities - In Brazil</b>									
Banco Pan S.A.	1,341,299	542,698	(19,546)	49,798	-	-	215	1,914,464	18,160
Negative goodwill - Pan S.A.	(111,344)	(161,499)	-	-	-	-	-	(272,843)	-
	<b>1,229,955</b>	<b>381,199</b>	<b>(19,546)</b>	<b>49,798</b>	<b>-</b>	<b>-</b>	<b>215</b>	<b>1,641,621</b>	<b>18,160</b>
<b>Total</b>	<b>8,612,903</b>	<b>419,696</b>	<b>(197,747)</b>	<b>1,181,837</b>	<b>(2,594)</b>	<b>463,509</b>	<b>(1,536)</b>	<b>10,476,068</b>	<b>850,177</b>
<b>Abroad</b>									
Pactual Overseas Corporation (ii)	25,253	-	-	(103)	-	4,163	-	29,313	(54)
BTG Pactual Chile Internacional Ltd. (ii)	56,233	-	-	1,457	-	9,477	-	67,167	(4,091)
Banco BTG Pactual Luxembourg S.A.	330,339	-	-	(15,970)	-	51,569	-	365,938	(203)
BTG Pactual S.A. Comisionista de Bolsa (ii)	128,310	(148,592)	-	3,928	-	15,368	986	-	3,435
Goodwill - BTG Pactual S.A. Comisionista de Bolsa	-	-	-	-	-	-	-	-	(12,044)
Engelhart CTP Group SA (ii)	7,516	-	-	(660)	-	1,341	-	8,197	-
BSI Limited (ii)	1,699,525	-	-	(10,682)	(508,682)	203,910	216,518	1,600,589	(47,805)
Goodwill - BSI Limited (ii)	334,460	-	-	(19,911)	-	47,142	-	361,691	(24,214)
Other	-	-	-	-	-	-	-	-	(622)
	<b>2,581,636</b>	<b>(148,592)</b>	<b>-</b>	<b>(41,941)</b>	<b>(508,682)</b>	<b>332,970</b>	<b>217,504</b>	<b>2,432,895</b>	<b>(85,598)</b>
<b>Total</b>	<b>11,194,539</b>	<b>271,104</b>	<b>(197,747)</b>	<b>1,139,896</b>	<b>(511,276)</b>	<b>796,479</b>	<b>215,968</b>	<b>12,908,963</b>	<b>764,579</b>

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- (i) See note 2.
- (ii) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.

## 14.Intangible asset

	31/12/2017	Acquisitions / transfer	Changes in intangible assets		30/06/2018
			Amortization expenses	Exchange variation	
<b>Other intangible assets</b>					
Cost					
Softwares	104,692	1,549	-	1,834	108,075
Leasehold improvements	104,374	814	-	-	105,188
Amortization					
Softwares	(78,867)	-	(5,966)	(1,327)	(86,160)
Leasehold improvements	(62,494)	-	(3,990)	-	(66,484)
<b>Total</b>	<b>67,705</b>	<b>2,363</b>	<b>(9,956)</b>	<b>507</b>	<b>60,619</b>

The intangible asset amortization period is 5 years.

## 15.Fund raising and loans borrowings

### a. Summary

	30/06/2018						31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	21,602,653	13,380,347	7,372,071	81,238	768,997	-	16,664,627
Open market funding	42,676,852	38,690,582	2,921,627	954,243	-	110,400	34,418,276
Funds from securities issued and accepted	11,750,853	502,635	2,808,414	3,986,318	4,392,516	60,970	9,662,374
Loans and borrowings	5,235,677	3,181,313	773,845	1,127,941	-	152,578	4,623,668
Subordinated debts and subordinated debt eligible to equity	9,438,133	-	1,623,089	2,668,133	1,601,318	3,545,593	9,400,092
<b>Total</b>	<b>90,704,168</b>	<b>55,754,877</b>	<b>15,499,046</b>	<b>8,817,873</b>	<b>6,762,831</b>	<b>3,869,541</b>	<b>74,769,037</b>

### b. Deposits

	30/06/2018						31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	139,271	139,271	-	-	-	-	109,111
Interbank deposits	606,340	116,862	472,893	16,585	-	-	3,416,757
Time deposits	20,857,042	13,124,214	6,899,178	64,653	768,997	-	13,138,759
<b>Total</b>	<b>21,602,653</b>	<b>13,380,347</b>	<b>7,372,071</b>	<b>81,238</b>	<b>768,997</b>	<b>-</b>	<b>16,664,627</b>

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#### c. Open market funding

Open market funding has collateral on the following securities:

	30/06/2018						31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own portfolio	2,612,166	1,806,845	805,321	-	-	-	4,115,840
Federal government bonds	1,301,794	1,301,794	-	-	-	-	2,709,972
Foreign private securities	203,817	203,817	-	-	-	-	-
Corporate bonds	1,106,555	301,234	805,321	-	-	-	1,405,868
Third-party portfolio	29,801,140	29,801,140	-	-	-	-	24,249,690
Federal government bonds	29,352,218	29,352,218	-	-	-	-	23,820,478
Corporate bonds	435,787	435,787	-	-	-	-	364,836
Federal foreign government bonds	13,135	13,135	-	-	-	-	64,376
Unrestricted portfolio (i)	10,263,546	7,082,597	2,116,306	954,243	-	110,400	6,052,746
Federal government bonds	10,263,546	7,082,597	2,116,306	954,243	-	110,400	6,052,746
Total	42,676,852	38,690,582	2,921,627	954,243	-	110,400	34,418,276

(i) From the unrestricted portfolio, R\$9,997,308 (December 31, 2017 – R\$5,297,275) refers to short position and R\$226,238 (December 31, 2017 – R\$755,471) to third-party portfolio.

#### d. Fund from securities issued and accepted

	30/06/2018						31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	7,620,562	496,642	2,707,745	2,141,242	2,274,933	-	6,408,723
Financial bills	5,437,724	131,807	1,449,910	1,612,236	2,243,771	-	4,771,878
Mortgage bonds/letters of credit for agrobusiness	2,046,193	359,358	1,225,991	434,203	26,641	-	1,560,576
Structured transactions	136,645	5,477	31,844	94,803	4,521	-	76,269
Securities – abroad	4,130,291	5,993	100,669	1,845,076	2,117,583	60,970	3,253,651
Medium term notes (i)	3,849,067	-	-	1,731,484	2,117,583	-	3,070,632
Fixed rate notes and others	281,224	5,993	100,669	113,592	-	60,970	183,019
Total	11,750,853	502,635	2,808,414	3,986,318	4,392,516	60,970	9,662,374

As at June 30, 2018, securities in Brazil were basically indexed o interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. (December 31, 2017 – indexed to (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a.).

On June 30, 2018, securities abroad have rates between 3.25% p.a. and 8.0% p.a. (December 31, 2017 – between 3.17% p.a. and 8.0% p.a.).

#### e. Loans and borrowings

	30/06/2018						31/12/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	2,502,308	1,690,004	115,975	696,329	-	-	1,920,118
Foreign currency	891,430	79,126	115,975	696,329	-	-	147,097
Loans abroad	1,610,878	1,610,878	-	-	-	-	1,773,021
Borrowings in Brazil – official institution	2,733,369	1,491,309	657,870	431,612	-	152,578	2,703,550
FINAME/BNDES	2,733,369	1,491,309	657,870	431,612	-	152,578	2,703,550
Total	5,235,677	3,181,313	773,845	1,127,941	-	152,578	4,623,668

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On June 30, 2018, securities abroad have rates between 0.16% p.a. and 3.25% p.a. (December 31, 2017 – between 0.16% p.a. and 8.54% p.a.).

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

Type - original currency	Issued amount (original currency)	30/06/2018			30/06/2017	
		Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	4,317,120	4,808,985
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,561,206	1,547,798
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	3,559,807	3,043,309
<b>Total</b>					<b>9,438,133</b>	<b>9,400,092</b>

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) The Bank will cancel a total amount equivalent to US\$300 million in Senior 2020 bonds and US\$350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Further, on October 2017, Banco received an authorization from Brazilian Central Bank to repurchase no later than December 1st 2017 up to US\$390 million of its perpetual bond - TIER 1 Capital.

## 16. Other obligations

#### a. Social and statutory

	30/06/2018	31/12/2017
Dividends and profit sharing payable	-	608,975
Employees' profit sharing	208,790	337,000
<b>Total</b>	<b>208,790</b>	<b>945,975</b>
Current	208,790	945,975
Long-term	-	-

#### b. Tax and social security

	30/06/2018	31/12/2017
Tax and contributions to be collected	43,025	81,792
Tax and contribution payable (i)	50,373	1,981,529
Deferred income tax and social contribution (Note 18)	27,567	10,270
<b>Total</b>	<b>120,965</b>	<b>2,073,591</b>
Current	93,398	2,063,321
Long-term	27,567	10,270

- (i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the tax amortization of goodwill arising from the acquisition of the then named Banco Pactual S.A. by UBS AG in 2006 (as described in Note 17), the Bank joined the Special Tax Regularization Program ("PERT"), pursuant to Executive Decree 783, of May 31, 2017 and Executive Decree 798, of August 31, 2017.

Pursuant to the terms of the agreements related to the Acquisition and the Private Placement agreement of 2010, the financial costs of said adherence to PERT will be borne by UBS AG and BTG Pactual Holding S.A., respectively, as approved by the Meeting of BTG Pactual's Board of Directors, and there will be no financial impact on the Bank.

#### c. Sundry

## BANCO BTG PACTUAL S.A.

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	30/06/2018	31/12/2017
Payable for acquisition of assets and rights (i)	1,109,335	1,074,577
Allowance for accounts payable	74,279	11,905
Payable - subject to loans operations	6,318	6,318
Provision for guarantees (Note 10 (e))	196,240	261,855
Provision for contingent liabilities (Note 17 (c))	1,063,968	1,045,375
Other creditors - Brazil	88,498	1,335,818
Other creditors - Abroad	1,359	19,938
Other	82	41
Total	2,540,079	3,755,827
Current	180,848	128,791
Long-term	2,359,231	3,627,036

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

## 17. Contingent assets and liabilities and legal obligations

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

### a. Contingent assets

As at June 30, 2018 and December 31, 2017, the Bank did not record contingent assets.

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

#### i. Labor provisions

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

#### ii. Civil provisions

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

#### iii. Tax and social security provisions

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

### c. Breakdown and changes in provisions

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The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at June 30, 2018 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the semester ended June 30:

	30/06/2018				30/06/2017
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the semester	1,009,389	178	35,808	1,045,375	957,626
Recognition	19,648	-	5,493	25,141	46,025
Write-off / reversal	(6,122)	-	(426)	(6,548)	(3,886)
Balance at the end of the semester	1,022,915	178	40,875	1,063,968	999,765
Provision for contingent liabilities (Note 16 (c))				1,063,968	999,765

The natures of the main provisions are presented below.

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

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

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

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

As at June 30, 2018, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$481 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$21 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

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- On December 2015, the Bank received tax assessment in the amount of R\$1,985 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. In addition, on December 2017, the Bank received other tax assessment in the amount of R\$825 million, which refers to 2012, which was considered undue the goodwill originated on the Bank acquisition by UBS, on 2006, the goodwill originated the repurchase byh the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the copa Prince in 2011. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.
- On December 2017, the Bank received a tax assessment which it is discussed insufficient recollection of PIS and COFINS and imposes fine isolated, referring to the year of 2012, in the amount of R\$178 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.
- On December 2017, in the capacity of the Banco Pan S/A sponsor, the Bank received a tax assessment-IRRF infringement allegedly due to the sale of investment in Brazil by a foreigner, referring to the year of 2012, in the amount of R\$71 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.
- On December 2017, the Bank received a tax assessment that seeks to collect income tax on the supposed capital gains in corporate incorporation , when One Properties was incorporated by BR Properties, in the amount of R\$1,027 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

### ii. Provision for other contingent liabilities

As at semester ended June 30, 2018 and year ended December 31, 2017, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

## 18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Tax base	(1,146,767)	(1,033,372)	(684,835)	139,456
Income before taxes and profit sharing	(1,082,035)	(372,015)	(559,515)	946,674
Statutory profit sharing	(64,732)	(37,581)	(125,673)	(183,442)
Interest on equity	-	(623,776)	353	(623,776)
Total charge of income tax and social contribution at the current rates	539,922	467,792	332,053	(62,755)
Permanent (additions) / deductions in taxation calculation	262,931	111,924	334,520	143,523
Equity pick up in subsidiaries and associates and jointly controlled companies in Brazil	228,974	77,502	343,451	158,245
Income on foreign investments	(6,153)	(12,897)	(11,216)	(25,309)
Dividends	384	12,747	2,647	14,305
Other Permanent (additions) / deductions	39,726	34,572	(362)	(3,718)
Temporary (additions) / deductions on the taxation calculation	(1,822,113)	(573,133)	(463,530)	468,413
Fair value of securities and derivatives	(917,851)	(247,759)	(766,101)	365,344

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	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Allowance for loan losses	(47,793)	(27,138)	(66,044)	(47,670)
Equity on interest	-	(283,500)	274,039	117,000
Other provisions	(856,469)	(14,736)	94,576	33,739
Effect of increase in social contribution 5% (current tax)	-	-	-	3,626
Offset of tax losses carry forward - Brazil	1,019,260	(3,432)	(203,043)	(546,087)
Tax and social contribution expense	-	3,151	-	6,720
Temporary differences				
Recognition / (reversal) of the quarter / semester	1,822,114	576,285	463,531	(465,318)
Recognition on goodwill of investments acquisition	-	(149,400)	-	-
Recognition / (reversal) on losses in Brazil	(1,019,260)	3,432	203,043	546,087
Recognition / (reversal) on losses on Branches abroad	146,996	249,701	202,968	292,646
Recovery of income tax of investment abroad	(20,104)	(1,545)	(20,104)	-
Other temporary differences	(36,106)	(148,172)	60,174	(146,878)
(Expenses) / revenues from deferred taxes assets	893,640	530,301	909,612	226,537
Total revenues / (expenses)	893,640	533,452	909,612	233,257

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

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

Income tax and social contribution	31/12/2017	Recognition	Realization (i)	30/06/2018
Tax loss	711,461	406,011	-	1,117,472
Interest on equity	269,968	32	-	270,000
Allowance for loan losses	595,202	57,430	-	652,632
Marked-to-market valuation of securities and derivatives	1,931,260	510,156	-	2,441,416
Tax contingencies and provision for suspended-payment taxes	183,126	-	-	183,126
Other temporary differences	194,324	-	(98,557)	95,767
Total	3,885,341	973,629	(98,557)	4,760,413

  

Income tax and social contribution	31/12/2016	Recognition	Realization (i)	30/06/2017
Tax loss carryforward	568,726	761,699	-	1,330,425
Interest on equity	400,500	-	(117,000)	283,500
Allowance for loan losses	871,937	56,649	-	928,586
Marked-to-market valuation of securities and derivatives	1,713,846	81,814	(696,036)	1,099,624
Goodwill on the acquisition of investment	182,980	-	-	182,980
Tax contingencies and provision for suspended-payment taxes	153,030	-	(30,436)	122,594
	3,891,019	900,162	(843,472)	3,947,709

  

Effects on other comprehensive income				
Marked-to-market adjustments on securities and derivatives	335	-	-	335
Total	3,891,354	900,162	(843,472)	3,948,044

(i) On June 30, 2018, the amount of R\$6,909 (December 31, 2017 – R\$36,149), refers to recovery paid taxes from investments abroad

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2018	1,183,985	281,814	1,465,799
2019	807,283	170,165	977,448
2020	485,733	158,335	644,068
2021	753,078	166,617	919,695
2022 onwards	412,862	340,541	753,403

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	3,642,941	1,117,472	4,760,413
Present value	3,026,281	871,610	3,897,891

The Bank has deferred tax obligations in the amount of R\$27,567 (December 31, 2017 - R\$10,270) according to Note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

## 19.Shareholders' equity

### a. Capital

As at June 30, 2018, fully subscribed and paid in capital consists of 2,681,601,772 shares (December 31, 2017 – 2,681,601,772), of which 1,746,065,322 common shares (December 31, 2017 – 1,746,065,322), 486,180,110 class A preferred shares (December 31, 2017 – 486,180,110), 449,356,340 class B preferred shares (December 31, 2017 – 449,356,340), registered shares.

At Meeting of BTG Pactual's Board of Directors on September 29, 2017, was approved capital increase, in the amount of R\$171,567, with issuance of 1 class B preferred shares, both nominative and without par value. The capital increase is under approval.

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

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

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

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

### **b. Treasury shares**

During the semester ended June 30, 2018, the Bank bought own units, in connection with the approved repurchase program, in the amount of R\$184,262 (December 31, 2017 - R\$489,977), equivalent to 8,805,500 units (December 31, 2017 – 31,618,580 units). On the year ended December 31, 2017, there were R\$467,748 ,equivalent to 32,287,880 units cancelled. On the semester ended June 30, 2018 there were no units cancelled. On June 30, 2018, 14,033,100 units (December 31, 2017 – 5,227,600 units) were held in treasury, in the amount of R\$277,325 (December 31, 2017 – R\$93,063).

### **c. Special earnings reserve**

The purpose of this reserve is to interest on equity, in the amount of R\$600,000, declared after year ended on December 31, 2017.

### **d. Legal reserve**

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

### **e. Statutory reserve**

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

### **f. Unrealized income reserve**

Established considering undistributed dividends obtained in foreign branch.

### **g. Profit distribution**

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

As at June 30, 2017 the Bank has accrued R\$630,000, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$283,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017, and the payment occurred on August 1, 2017.

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### 20. Income from services rendered

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Management and performance fee from investment funds and portfolios	23,480	20,180	44,026	41,288
Technical services	141,079	7,765	213,564	108,594
Commission on the placement of securities	33,775	10,881	44,825	42,930
Guarantees granted	71,458	57,865	127,096	123,988
Other services	4,008	3,384	7,626	6,468
Total	<u>273,800</u>	<u>100,075</u>	<u>437,137</u>	<u>323,268</u>

### 21. Other operating income

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Adjustment to inflation of judicial deposits	14,018	23,884	29,291	78,099
Reversal of allowances	-	5,358	-	20,601
Exchange rate variation	906	337	1,127	28,664
Adjustments of receivables from sale	42,276	-	87,489	4,258
Other operating income	1,787	32	2,981	22,288
Total	<u>58,987</u>	<u>29,611</u>	<u>120,888</u>	<u>153,910</u>

### 22. Other operating expenses

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Guarantees granted allowances	16,672	21,166	17,686	32,058
Monetary restatement expense	18,541	30,685	37,109	66,078
Exchange rate variation	-	2,358	861	3,245
Allowance for other receivables without loan characteristics	9,486	-	24,060	-
Tax restatement expense	15,493	20,818	31,427	38,344
Others	25,043	11,804	26,341	13,026
Total	<u>85,235</u>	<u>86,831</u>	<u>137,484</u>	<u>152,751</u>

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## 23. Other administrative expenses

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Outsourced services and consulting	79,987	92,317	179,708	174,873
Telecommunications and data processing	32,256	29,397	61,837	53,588
Leases and condominiums	12,136	11,589	24,559	23,747
Expenses of the financial system	15,965	5,248	25,880	9,357
Advertising and public relations	8,404	4,463	18,385	10,443
Depreciation/amortization	7,584	8,952	15,369	17,890
Others	3,749	19,621	12,015	27,227
<b>Total</b>	<b>160,081</b>	<b>171,587</b>	<b>337,753</b>	<b>317,125</b>

## 24. Tax charges

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
PIS/COFINS	(71,729)	(50,291)	(52,888)	24,893
ISS	9,317	3,124	14,126	11,072
IOF	5,757	34	5,795	461
Others	(490)	417	2,406	2,170
<b>Total</b>	<b>(57,145)</b>	<b>(46,716)</b>	<b>(30,561)</b>	<b>38,596</b>

## 25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank.

Related-party balances, which are all carried at arms' length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
<b>Assets</b>						
Open market investments	-	-	5,465,950	5,621,970	5,465,950	5,621,970
Interbank investments deposits	-	-	298,337	572,605	298,337	572,605
Securities	-	-	13,129,725	11,536,531	13,129,725	11,536,531
Derivative financial instruments	-	-	22,851,092	23,561,006	22,851,092	23,561,006
Loans and Receivables	3,209,546	2,171,493	932,856	983,013	4,142,402	3,154,506
Foreign exchange portfolio	-	-	2,232,384	-	2,232,384	-
Income Receivable	-	-	71,277	104,849	71,277	104,849
Securities trading and brokerage	-	-	861,100	382,567	861,100	382,567
Sundry	-	-	3,771,848	7,719,688	3,771,848	7,719,688
<b>Liabilities</b>						
Interbank deposits	-	-	(428,427)	(3,491,916)	(428,427)	(3,491,916)
Deposits	(311,572)	(59,602)	(5,458,223)	(5,288,077)	(5,769,795)	(5,347,679)
Open market funding	-	-	(1,209,687)	(2,293,677)	(1,209,687)	(2,293,677)
Funds from securities issued and accepted	-	-	(35,185)	(185)	(35,185)	(185)
Securities issued abroad	-	-	(65,507)	(755,288)	(65,507)	(755,288)
Derivative financial instruments	-	-	(29,161,705)	(27,805,073)	(29,161,705)	(27,805,073)
Foreign exchange portfolio	-	-	(2,230,698)	-	(2,230,698)	-
Securities trading and brokerage	-	-	(312,070)	(276,803)	(312,070)	(276,803)
Sundry	-	-	(68,187)	(1,306,292)	(68,187)	(1,306,292)
<b>Statements of income</b>						
Financial income	-	12,842	11,158,608	694,754	11,158,608	707,596
Financial expenses	(7,498)	(15,632)	(15,116,297)	(384,200)	(15,123,795)	(399,832)
Other operating income	-	(194,103)	4,391	(209,118)	4,391	(403,221)

(i) Includes natural person.

Total compensation paid in the semester to key management personnel totaling R\$26,904 (June 30, 2017 – R\$4,820) is considered a short-term benefit.

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### 26. Other information

#### a. Cash and cash equivalents

	31/12/2017	31/12/2016
<b>Balances as at beginning of semester</b>		
Cash at banks	3,674,112	220,756
Open market investments	17,581,854	11,177,261
Interbank deposits	1,190,324	1,853,888
Total	22,446,290	13,251,905
	30/06/2018	30/06/2017
<b>Balances as at end of semester</b>		
Cash at banks	2,026,561	586,142
Open market investments	23,895,089	23,330,838
Interbank deposits	1,159,603	2,250,772
Total	27,081,253	26,167,752

#### b. Commitments and responsibilities

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

	30/06/2018	31/12/2017
Co-obligation and risks for guarantees granted	43,222,612	35,578,449
Responsibility for the management of funds and investment portfolio	10,486,057	8,588,521
Securities under custody	236,076,187	204,026,689
Securities trading and brokerage	2,678,438,638	2,305,632,261
Loans contracted to release	3,365,684	971,400
Commitments to be released	51,900	12,900

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

"Responsibility for the management of funds and investment portfolio" is recognized by the sum of the equity value of funds and investment portfolios.

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

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

"Loans contracted to release" register amounts related to loan contracts with clients to release.

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