

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

June 30, 2018

with independent auditor's review report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

June 30, 2018

Contents

Independent auditors' review report.....	1
Consolidated balance sheets.....	3
Consolidated statements of income	5
Statements of changes in shareholders' equity – parent company.....	6
Consolidated statements of cash flows.....	7
Consolidated statements of value added.....	8
Notes to the consolidated financial statements	9

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

Independent auditor's review report on the consolidated financial statements

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

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. ("Bank"), which comprise the consolidated balance sheet as of June 30, 2018, and the related consolidated statements of income for the three and six-month periods then ended and the consolidated statements of 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 consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated 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 consolidated financial statements referred 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.

Emphasis of matters

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.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the six-month period ended at June 30, 2018 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil on which we issued an unqualified audit opinion containing the same emphasis paragraph described above, dated August 07, 2018.

Other matters

Consolidated Statement of value added

We have also reviewed the consolidated statement of value added, for the six-month period ended at June 30, 2018, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. This consolidated statement has been subject to the same review procedures previously described. For the purposes of forming our conclusion, we evaluated whether this statement is reconciled with the interim consolidated financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our conclusion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the interim consolidated financial statements taken as a whole.

São Paulo, August 07, 2018.

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



Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated 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		127,401,151	92,212,056
Cash at banks	6	2,736,574	4,347,209
Short-term interbank investments	7	49,051,719	27,196,779
Open market investments		47,584,128	25,973,105
Interbank deposits		1,467,591	1,223,674
Securities and derivative financial instruments		39,104,331	34,520,034
Own portfolio	8	15,054,006	15,151,347
Subject to repurchase agreements	8	13,381,478	4,761,945
Subject to unrestricted repurchase agreements	8	19,187	144,227
Derivative financial instruments	9	6,621,155	12,585,309
Subject to guarantees	8	4,028,505	1,877,206
Interbank transactions		2,037,024	1,473,007
Deposits in the Central Bank of Brazil		2,037,024	1,473,007
Loans	10	6,474,502	5,205,606
Loans		6,692,950	5,368,754
Transferred loans with coobligation		296,223	314,572
Allowance for loan losses		(514,671)	(477,720)
Other receivables		27,959,982	19,427,313
Foreign exchange portfolio	11	16,240,577	12,007,708
Income receivable	12	875,755	2,509,963
Securities trading and brokerage	11	9,295,364	3,598,367
Sundry	12	1,574,602	1,338,588
Allowance for losses on other receivables	10	(26,316)	(27,313)
Other assets		37,019	42,108
Other assets		4,718	2,852
Prepaid expenses		32,301	39,256
Long-term-assets		24,075,059	28,842,178
Long-term interbank investments	7	204,760	595,508
Open market investments		204,760	595,508
Securities and derivative financial instruments		3,352,204	7,767,998
Own portfolio	8	1,273,738	1,059,468
Derivative financial instruments	9	1,303,363	1,859,531
Subject to repurchase agreements	8	568,139	3,968,413
Subject to guarantees	8	206,964	880,586
Interbank transactions		210,269	230,635
Restricted credits – National Housing System		210,269	230,635
Loans	10	9,847,351	7,820,597
Loans		10,123,977	7,957,839
Transferred loans with coobligation		29,390	118,955
Allowance for loan losses		(306,016)	(256,197)
Other receivables		10,287,824	12,342,353
Sundry	12	10,563,353	12,452,651
Allowance for losses on other receivables	10	(275,529)	(110,298)
Other assets		172,651	85,087
Temporary investments		100	52,249
Other assets		241,997	105,067
Prepaid expenses		11,878	9,494
Provision for losses on other assets		(81,324)	(81,723)
Permanent assets		5,939,596	5,537,378
Investments		5,609,628	5,248,783
Investments in associates and jointly controlled entities - in Brazil	13	1,996,665	1,644,342
Investments in associates and jointly controlled entities - abroad	13	3,588,002	3,575,241
Other investments		29,493	33,661
Allowance for losses in investments		(4,532)	(4,461)
Property and equipment in use		87,920	82,762
Property in use		5,964	5,177
Other property and equipment in use		284,065	257,210
Accumulated depreciation		(202,109)	(179,625)
Intangible assets	14	242,048	205,833
Other intangible assets		1,618,480	1,488,396
Accumulated amortization		(1,376,432)	(1,282,563)
Total assets		157,415,806	126,591,612

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated 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		109,468,617	77,238,309
Deposits	15	16,421,992	8,303,306
Demand deposits		314,021	441,320
Interbank deposits		161,328	111,108
Time deposits		15,946,643	7,750,878
Open market funding	15	52,781,690	31,236,529
Own portfolio		12,858,598	8,379,518
Third-party portfolio		26,277,659	19,026,548
Free trading portfolio		13,645,433	3,830,463
Funds from securities issued and accepted	15	3,288,001	2,682,894
Real estate, mortgage, credit and similar notes		3,144,017	2,533,872
Securities issued abroad		106,663	72,753
Certificates of structured transactions		37,321	76,269
Interbank transactions		6,294	5,388
Unsettled receipts and payments		6,294	5,388
Interdependencies transactions		144,844	24,356
Unsettled third party assets		144,844	24,356
Loans and borrowings	15	4,027,752	1,302,170
Loans abroad		1,805,995	1,231,495
Loans in Brazil		48,420	-
Borrowings in Brazil		2,173,337	70,675
Derivative financial instruments	9	5,051,908	12,221,661
Derivative financial instruments		5,051,908	12,221,661
Other liabilities		27,746,136	21,462,005
Collection and payments of tax and similar charges		5,957	8,148
Foreign exchange portfolio	11	15,833,100	11,773,803
Social and statutory	16	399,691	1,290,707
Tax and social security	16	480,727	2,480,875
Securities trading and brokerage	11	8,510,165	4,232,583
Subordinated debt	15	1,623,089	1,289,040
Sundry	16	893,407	386,849
Long-term liabilities		28,451,525	30,576,631
Deposits	15	1,402,948	875,007
Interbank deposits		16,585	25,732
Time deposits		1,386,363	849,275
Open market funding	15	1,932,627	2,653,692
Own portfolio		663,163	929,358
Third-party portfolio		2,963	29,190
Free trading portfolio		1,266,501	1,695,144
Funds from securities issued and accepted	15	9,139,254	7,606,652
Real estate, mortgage, credit and similar notes		4,322,479	3,813,695
Securities issued abroad		4,717,451	3,792,957
Certificates of structured transactions		99,324	-
Loans and borrowings	15	1,286,636	3,427,755
Loans abroad		696,329	688,623
Loans in Brazil		-	75,391
Borrowings in Brazil		590,307	2,663,741
Derivative financial instruments	9	1,105,807	1,940,111
Derivative financial instruments		1,105,807	1,940,111
Other liabilities		13,584,253	14,073,414
Tax and social security	16	104,358	91,568
Subordinated debt	15	4,213,018	5,028,197
Debt instrument eligible to capital	15	3,559,807	3,043,309
Sundry	16	5,707,070	5,910,340
Deferred income		148,002	120,573
Non-controlling interest		128,683	132,407
Shareholders' equity	19	19,218,979	18,523,692
Capital - domiciled in Brazil		4,898,856	4,898,856
Capital - domiciled Abroad		2,493,236	2,493,236
Capital Reserve		652,515	652,515
Asset valuation adjustment		279,292	114,992
Income reserves		9,960,456	10,457,156
Treasury shares		(277,325)	(93,063)
Retained earnings		1,211,949	-
Total Liabilities and Shareholders' equity		157,415,806	126,591,612

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Quarters and semesters ended June 30

(In thousands of reais, except net income per share)

	Note	Quarter ended:		Semester ended:	
		30/06/2018	30/06/2017	30/06/2018	30/06/2017
Financial income		2,380,038	2,014,677	4,818,952	4,838,652
Loans		275,008	319,651	543,658	773,468
Securities		1,095,304	1,122,426	2,716,749	2,964,936
Derivative financial instruments		879,725	532,010	1,279,628	760,045
Foreign Exchange		107,534	-	241,019	245,980
Mandatory investments		22,467	40,590	37,898	94,223
Financial expenses		(2,275,079)	(1,595,852)	(3,743,737)	(3,157,473)
Funding operations		(1,032,408)	(1,045,223)	(2,159,958)	(2,714,673)
Borrowing and onlending		(1,230,163)	(312,665)	(1,508,796)	(267,548)
Foreign Exchange		-	(174,084)	-	-
Allowance for loan losses and other receivables	10	(12,508)	(63,880)	(74,983)	(175,252)
Net financial income		104,959	418,825	1,075,215	1,681,179
Other operating expenses		213,615	(110,912)	119,673	(162,654)
Income from services rendered	20	597,595	346,981	1,046,528	770,074
Personnel expenses		(191,310)	(153,449)	(373,848)	(308,208)
Other administrative expenses	23	(272,753)	(292,697)	(560,239)	(526,386)
Tax charges		(38,472)	(15,825)	(94,433)	(113,807)
Equity earnings of associates and jointly controlled entities	13	13,903	(34,597)	(22,223)	34,652
Other operating income	21	244,045	258,154	389,004	479,333
Other operating expenses	22	(139,393)	(219,479)	(265,116)	(498,312)
Operating income		318,574	307,913	1,194,888	1,518,525
Non-operating (expenses) / income		128,427	7,448	135,686	(21,516)
Income before taxation and profit sharing		447,001	315,361	1,330,574	1,497,009
Income tax and social contribution	18	281,798	246,496	126,025	(30,058)
Provision for income tax		(401,750)	(256,736)	(549,342)	(220,749)
Provision for social contribution		(412,691)	(16,977)	(461,603)	(74,694)
Deferred income tax and social contribution		1,096,239	520,209	1,136,970	265,385
Statutory profit sharing		(105,636)	(61,726)	(230,073)	(251,098)
Non-controlling interest		(690)	2,427	(3,695)	6,772
Net income for the quarter / semester	19	622,473	502,558	1,222,831	1,222,625
Interest on equity	19	-	(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\$		0.22	0.18	0.44	0.44

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – parent company

Semesters ended June 30

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

Income reserves												
	Note	Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	Total	Asset valuation adjustment	Treasury shares	Retained earnings	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	1	-	-	-	-	-	-	-	-	(215,281)	-	(215,281)
Cancellation of treasury shares	1	-	-	-	-	-	(199,560)	(199,560)	-	199,560	-	-
Interest on equity received by on shares repurchase	19	-	-	-	-	-	-	-	-	-	6,224	6,224
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(2,475)	-	-	(2,475)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	(1,576)	-	-	(1,576)
Currency translation adjustments		-	-	-	-	-	-	-	198,315	-	-	198,315
Foreign Investment hedge		-	-	-	-	-	-	-	(225,744)	-	-	(225,744)
Interest on equity (R\$0.12 per share)	19	-	-	-	-	-	-	-	-	-	-	-
Net income for the semester		-	-	-	-	-	-	-	-	-	1,222,625	1,222,625
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	49,844	-	-	49,844	-	-	(49,844)	-
Interest on equity (R\$0.23 per share)		-	-	-	-	-	-	-	-	-	(630,000)	(630,000)
Balances as at June 30, 2017		7,220,526	652,515	-	1,128,043	3,236,533	5,316,499	9,681,075	8,276	(86,555)	549,005	18,024,842
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,820	6,417,364	10,402,691	114,992	(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	-	-	-	-	-	-	-	215,963	-	-	215,963
Currency translation adjustments		-	-	-	-	-	-	-	1,034,854	-	-	1,034,854
Foreign Investment hedge		-	-	-	-	-	-	-	(998,409)	-	-	(998,409)
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		-	-	-	-	-	-	-	-	-	1,222,831	1,222,831
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	11,235	-	-	11,235	-	-	(11,235)	-
Balances as at June 30, 2018		7,392,092	652,515	600,000	1,192,742	2,803,820	5,309,429	9,905,991	279,292	(277,325)	1,211,949	19,164,514

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19(h).

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated 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		1,222,831	1,222,625
Adjustments to net income		(422,390)	355,494
Equity pick up from associates and jointly controlled entities	13	22,223	(34,652)
Interest expense with subordinated debt		728,561	532,042
Deferred income tax and social contribution		(1,136,970)	(265,385)
Goodwill amortization	22	-	81,871
Goodwill exchange variation	14	(60,323)	11,962
Permanent assets exchange variation		(4,442)	(2,760)
Depreciation and amortization	23	28,561	32,416
Adjusted net income for the semester		800,441	1,578,119
(Increase)/decrease in operational activities			
Short-term interbank investments		(9,381,178)	3,341,481
Securities and derivative financial instruments		(8,713,895)	1,349,620
Loans		(3,295,650)	(1,611,641)
Other receivables and other assets		(5,423,643)	4,673,012
Interbank transactions		(542,745)	373,941
Interdependencies transactions		120,488	(55,090)
Other liabilities		6,368,578	(3,945,918)
Deferred income		27,429	14,120
Deposits		8,646,627	846,357
Open market funding		20,824,096	7,896,662
Loans and borrowings		584,463	329,856
Cash provided by operating activities		10,015,011	14,790,519
Investing activities			
Sale of other investment		4,239	285
Acquisition / sale of equity interests	13	(357,867)	1,180,667
Dividends and interest on equity received	13	168,255	176,552
Acquisition of property		(11,033)	(5,673)
Sale of property		-	14,260
Acquisition of intangible assets	14	(3,578)	(41,726)
Sale of intangible assets	14	9,445	3
Cash (used in) / provided by investing activities		(190,539)	1,324,368
Financing activities			
Acquisition of treasury shares		(184,262)	(215,281)
Funds from securities issued and accepted		2,137,709	(1,393,950)
Subordinated debt and debt instrument eligible to equity		(693,194)	(944,898)
Non-controlling interest		(3,724)	12,446
Interest on equity	19	(608,622)	(883,776)
Cash provided by / (used in) financing activities		647,907	(3,425,459)
Increase in cash and cash equivalents		10,472,379	12,689,428
Balance of cash and cash equivalents	25		
At the beginning of the semester		23,201,005	13,973,748
At the end of the semester		33,673,384	26,663,176
Increase in cash and cash equivalents		10,472,379	12,689,428
Non-cash transaction		73,391	1,063,801
Dividends and interest on equity received		-	(630,000)
Assets transfer, held for sale		-	1,696,276
Acquisition / Increase/ Transfer of equity interests		161,499	-
Changes in fair value of assets available for sale		(88,108)	(2,475)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Semesters ended June 30

(In thousands of reais)

	Note	30/06/2018	30/06/2017
Income		6,125,054	5,608,726
Financial brokerage		4,818,952	4,838,652
Services rendered	20	1,046,528	770,074
Other		259,574	-
Expenses		(3,743,737)	(3,197,968)
Financial brokerage		(3,668,754)	(2,982,221)
Allowance for loan losses and other receivables	10	(74,983)	(175,252)
Other		-	(40,495)
Inputs acquired from third parties		(489,613)	(454,152)
Materials, energy and other		(6,478)	(5,597)
Outsourced services		(483,135)	(448,555)
Gross value added		1,891,704	1,956,606
Depreciation and amortization	23	(28,561)	(32,416)
Net value added produced by the entity		1,863,143	1,924,190
Value added received through transfer		(22,223)	34,652
Equity in the earnings of associates and jointly controlled entities		(22,223)	34,652
Value added to be distributed		1,840,920	1,958,842
Distribution of value added		1,840,920	1,958,842
Personnel		603,922	559,306
Direct compensation		492,998	476,992
Benefits		62,456	43,603
FGTS – government severance pay fund		47,879	38,711
Other		589	-
Taxes, fees and contributions		(31,592)	143,865
Federal		(70,286)	109,730
Municipal		38,694	34,135
Remuneration of third party capital		42,064	39,818
Rent expenses		42,064	39,818
Remuneration of shareholders		1,226,526	1,215,853
Retained earnings		1,222,478	1,846,401
Interest on equity		353	(623,776)
Non-controlling interest		3,695	(6,772)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated 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, 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 listing 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 trading price of PPLA11 units approaching R\$1.00 per unit, the Companies analyzed potential structure to meet requirements of the applicable regulation.

The Boards of Directors of the Companies approved, the automatic migration of all currently remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. Each holder of a BBTG11 unit as of the end of the trading session on August 18, 2017, starting from the beginning of the trading session on August 21, 2017, automatically hold one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit previously held by such holder, without any other significant change to such holders.

2. Corporate reorganization and acquisitions

Corporate events

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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 January, 2018.

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.

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 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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.

3. Presentation of the financial statements

The Bank's consolidated 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 Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE), except Novaportfólio.

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 record 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 the fair value measurement of 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 and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the 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.

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and the portions of net income (loss) and shareholders' equity relating to non-controlling interest were included.

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities are recognized in investments.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

		Equity interest - %	
	Country	30/06/2018	31/12/2017
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	75.54	73.93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	70.00
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
ZB Consultoria Ltda	Brazil	99.99	-
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Infra IX Empreendimentos e Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		30/06/2018	31/12/2017
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	100.00
TTG Forestry Services LLC	USA	100.00	100.00
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	100.00	100.00
BTG Pactual RE Income S.A.	Colombia	100.00	100.00
BTG Pactual Chile Asesorias Financieras	Chile	100.00	100.00
PFC Consultoria e Assessoria Empresarial Eireli	Brazil	100.00	-
Engelhart CTP Absolute Return Limited	Cayman	100.00	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	100.00
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	100.00
BTG PACTUAL RED FIP - Multimercado Investimento no Exterior	Brazil	100.00	100.00
FIM CP Energy	Brazil	51.48	-
FIM CP Vitória Fidelis	Brazil	100.00	-
FIDC NP Alternative Assets II	Brazil	100.00	-

b. Functional currency

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

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. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

4. Significant accounting practices

The significant accounting practices adopted by the Bank and its direct and indirect subsidiaries 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 “*pro rata die 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, recognized 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 that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in statements of income after 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, plus income earned, with a corresponding entry to the statements of income. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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

d. Derivative financial instruments

These are classified according to management's intention, on the transaction date, considering whether such transactions are for hedge or not.

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

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 the statements of income.
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.
- 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 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. 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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

Assets and liabilities resulting from swap and non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in statements of income.

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized 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 (operations with credit characteristics)

Recorded at present value, calculated on a "*pro rata die*" basis on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th 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 loan risk 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 periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

- 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.

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

k. Investments

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

l. Foreign currency translation

See note 3b.

m. Goodwill and 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.

n. 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

o. 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.

p. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, 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.

q. 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.

r. Contingent assets and liabilities, and 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 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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.

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

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, in the Corporate Governance / Risk management section.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

a. Operational limits

	30/06/2018	31/12/2017
Reference Shareholders' Equity	19,164,514	18,473,348
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	19,218,979	18,527,813
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 (insufficiency)	2,395,336	3,289,755

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 operational 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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

c. Credit risk

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

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. Operational 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

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	47,788,888	41,656,479	5,927,649	49,790	154,970	26,568,613
Own portfolio	6,365,554	5,043,974	1,321,580	-	-	3,107,558
Federal government bonds	6,225,576	4,915,007	1,310,569	-	-	2,940,700
Corporate bonds	138,993	127,982	11,011	-	-	166,858
	985	985	-	-	-	-
Third-party portfolio	26,867,916	24,369,975	2,494,981	-	2,960	18,808,858
Federal government bonds	26,100,024	23,602,083	2,494,981	-	2,960	18,711,441
Corporate bonds	446,068	446,068	-	-	-	97,417
Foreign private securities	321,824	321,824	-	-	-	-
Short position	14,555,418	12,242,530	2,111,088	49,790	152,010	4,652,197
Federal government bonds	9,275,468	6,962,580	2,111,088	49,790	152,010	4,652,197
Foreign private securities	5,279,950	5,279,950	-	-	-	-
Interbank investments (*)	1,467,591	1,451,110	16,481	-	-	1,223,674
Interbank deposit certificates	287,627	271,146	16,481	-	-	497,524
Investments in foreign currency - overnight	1,179,964	1,179,964	-	-	-	726,150
Total	49,256,479	43,107,589	5,944,130	49,790	154,970	27,792,287

(*) Refers basically to interbank deposits in prime banks.

The collateral received in repurchase agreements amounts to R\$46,622,701 (December 31, 2017 - R\$34,410,680), whereas the collateral granted amounts to R\$55,164,792 (December 31, 2017 - R\$33,951,141).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of 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	16,644,398	16,327,744	11,942,680	631,338	1,192,910	720,927	1,839,889	16,210,815
Federal government bonds	956,874	956,361	304,447	188,646	146,085	317,183	-	1,081,671
Debentures/Eurobonds (i)	894,678	755,251	358	7,775	296,224	221,149	229,745	776,075
Investment fund quotes								
Shares	20,067	20,067	20,067	-	-	-	-	-
Multimarket	2,267,563	2,267,562	1,822,036	-	403,865	-	41,661	5,030,807
FIDC - Credit Rights	106,048	106,048	106,048	-	-	-	-	49,913
Real Estate	107,466	107,466	107,466	-	-	-	-	57,107
Equity Investment fund	301,288	299,819	299,819	-	-	-	-	398,113
Shares	6,640,606	6,511,593	6,258,033	253,560	-	-	-	5,524,664
Certificate of real estate								
receivables	333,128	305,739	2,490	-	2,834	1,442	298,973	380,060
Other	232,574	230,135	224,971	3,234	-	-	1,930	-
Foreign government bonds	717,662	715,548	258,122	152,405	205,815	33,294	65,912	944,887
Foreign private securities	4,066,444	4,052,155	2,538,823	25,718	138,087	147,859	1,201,668	1,967,518
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	13,972,067	13,949,617	3,137,325	114,949	2,530,258	863,354	7,303,731	8,730,358
Federal government bonds	3,592,726	3,591,720	3,110,937	-	36,029	424,126	20,628	6,729,304
Certificate of real estate								
receivables	6,475	6,475	6,475	-	-	-	-	-
Foreign government bonds	9,179,638	9,203,809	-	-	2,311,294	197,754	6,694,761	1,255,784
Other	20,540	20,605	-	8,129	-	-	12,476	-
Foreign private securities	466,208	452,127	-	19,991	60,100	21,302	350,734	162,356
Debentures / Eurobonds (i)	706,480	674,881	19,913	86,829	122,835	220,172	225,132	582,914
Subject to guarantees	4,260,543	4,235,469	3,187,236	401,917	374,914	138,890	132,512	2,757,792
Federal government bonds	2,767,721	2,766,643	1,795,977	342,615	356,649	138,890	132,512	1,531,613
Investment fund quotes								
Multimarket	482,189	482,189	482,189	-	-	-	-	352,549
Other	54,255	54,256	45,000	9,256	-	-	-	-
Bank credit certificate	-	-	-	-	-	-	-	54,578
Certificate of real estate								
receivables	11,059	11,059	-	-	11,059	-	-	14,463
Shares	885,449	861,452	861,452	-	-	-	-	768,404
Foreign private securities	59,870	59,870	2,618	50,046	7,206	-	-	36,185
Trading securities	27,876,503	27,711,601	13,724,951	919,239	3,512,515	1,279,876	8,275,020	21,447,791
Available for sale securities	2,871,376	2,672,095	590,194	228,965	528,137	456,199	868,600	1,925,303
Held-to-maturity securities	4,148,321	4,148,321	3,952,416	-	63,393	-	132,512	4,470,098
Total	34,896,200	34,532,017	18,267,561	1,148,204	4,104,045	1,736,075	9,276,132	27,843,192

(i) Substantially securities issued by Brazilian companies.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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	14,535,391	14,386,419	11,417,229	489,202	798,667	484,900	1,196,421	14,926,351
Federal government bonds	956,874	956,361	304,447	188,646	146,085	317,183	-	1,081,671
Debentures/Eurobonds	130,754	129,113	-	4,731	17,359	5,891	101,132	363,350
Investment fund quotes								
Shares	20,067	20,067	20,067	-	-	-	-	-
Multimarket	2,267,563	2,267,562	1,822,036	-	403,865	-	41,661	5,030,807
FIDC - Credit Rights	106,048	106,048	106,048	-	-	-	-	49,913
Real Estate	107,466	107,466	107,466	-	-	-	-	57,107
Equity Investment fund	186,169	184,700	184,700	-	-	-	-	229,527
Shares	6,640,606	6,511,593	6,258,033	253,560	-	-	-	5,524,664
Certificate of real estate receivables	3,145	3,147	2,490	-	-	657	-	44,412
Other	25,461	25,513	20,811	3,234	-	-	1,468	-
Foreign government bonds	268,546	266,454	52,308	19,175	115,749	13,310	65,912	792,019
Foreign private securities	3,822,692	3,808,395	2,538,823	19,856	115,609	147,859	986,248	1,752,881
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	10,983,476	10,992,625	835,301	28,120	2,407,423	643,182	7,078,599	4,513,147
Federal government bonds	1,310,615	1,309,609	828,826	-	36,029	424,126	20,628	3,095,007
Certificate of real estate receivables	6,475	6,475	6,475	-	-	-	-	-
Foreign government bonds	9,179,638	9,203,809	-	-	2,311,294	197,754	6,694,761	1,255,784
Other	20,540	20,605	-	8,129	-	-	12,476	-
Foreign private securities	466,208	452,127	-	19,991	60,100	21,302	350,734	162,356
Subject to guarantees	2,338,444	2,313,370	1,472,101	401,917	300,462	138,890	-	1,864,066
Federal government bonds	901,511	900,433	125,672	342,615	293,256	138,890	-	695,812
Investment fund quotes								
Multimarket	437,359	437,359	437,359	-	-	-	-	309,087
Other	54,255	54,256	45,000	9,256	-	-	-	-
Bank credit certificate	-	-	-	-	-	-	-	54,578
Shares	885,449	861,452	861,452	-	-	-	-	768,404
Foreign private securities	59,870	59,870	2,618	50,046	7,206	-	-	36,185
Total	27,876,503	27,711,601	13,724,951	919,239	3,512,515	1,279,876	8,275,020	21,447,791

c. Available-for-sale securities

	30/06/2018							31/12/2017
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	2,109,007	1,941,325	525,451	142,136	394,243	236,027	643,468	1,284,464
Equity investment fund	115,119	115,119	115,119	-	-	-	-	168,586
Debentures	763,924	626,138	358	3,044	278,865	215,258	128,613	412,725
Certificate of real estate receivables	329,983	302,592	-	-	2,834	785	298,973	335,648
Foreign government bonds	449,116	449,094	205,814	133,230	90,066	19,984	-	152,868
Foreign private securities	243,752	243,760	-	5,862	22,478	-	215,420	214,637
Other	207,113	204,622	204,160	-	-	-	462	-
Subject to repurchase agreements	706,480	674,881	19,913	86,829	122,835	220,172	225,132	582,914
Debentures	706,480	674,881	19,913	86,829	122,835	220,172	225,132	582,914
Subject to guarantees	55,889	55,889	44,830	-	11,059	-	-	57,925
Investment fund quotes								
Multimarket	44,830	44,830	44,830	-	-	-	-	43,462
Certificate of real estate receivables	11,059	11,059	-	-	11,059	-	-	14,463
Total	2,871,376	2,672,095	590,194	228,965	528,137	456,199	868,600	1,925,303

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

d. Held-to-maturity securities

	30/06/2018						31/12/2017
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Subject to re purchase	2,282,111	2,282,111	-	-	-	-	3,634,297
Federal government bonds	2,282,111	2,282,111	-	-	-	-	3,634,297
Subject to guarantees	1,866,210	1,670,305	-	63,393	-	132,512	835,801
Federal government bonds	1,866,210	1,670,305	-	63,393	-	132,512	835,801
Total	4,148,321	3,952,416	-	63,393	-	132,512	4,470,098

If measured at fair value, held-to-maturity securities would be reported as at the semester ended June 30, 2018 with a positive adjustment of R\$68,849 (December 31, 2017 – R\$198,515 negative).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. 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 year ended on 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 year ended December 31, 2017 the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the head office.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

30/06/2018			
Hedge instrument			
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	8,869,914	(998,409)	6,774,438

31/12/2017			
Hedge instrument			
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	12,256,669	(313,585)	6,164,992

(i) Recorded in stockholders' equity under heading asset valuation adjustments.

To hedge the changes of the exchange variation of net investments in foreign operations, the Bank uses Futures contracts, financial assets and forward contracts or NDF contracts entered into by the subsidiaries abroad.

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 Letter 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	17,930,830	3,139,155	8,807,649	29,877,634	124,495
Currency	4,549,109	-	-	4,549,109	-
Interest rate	13,297,175	3,139,155	8,622,087	25,058,417	-
Index	22,949	-	185,562	208,511	-
Equities	61,597	-	-	61,597	-
Other	-	-	-	-	124,495
Short position	34,833,926	2,391,911	7,095,163	44,321,000	95,275
Currency	37,016	1,570	-	38,586	-
Interest rate	29,177,043	2,390,341	7,012,948	38,580,332	-
Index	814,193	-	82,215	896,408	-
Equities	4,805,109	-	-	4,805,109	-
Other	565	-	-	565	95,275
Swap					
Long position	39,937,166	13,657,363	16,472,891	70,067,420	137,596,593
Currency	919,872	526,478	670,303	2,116,653	4,581,902
Interest rate	36,971,485	12,372,913	11,612,399	60,956,797	121,745,570
Index	933,930	385,915	2,993,120	4,312,965	6,776,035
Equities	292,548	268,707	912,154	1,473,409	520,566
Commodities	36,433	2,823	-	39,256	20,831
Other	782,898	100,527	284,915	1,168,340	3,951,689
Short position	39,937,166	13,657,363	16,472,891	70,067,420	137,596,593
Currency	10,213,948	699,404	1,133,673	12,047,025	4,581,903
Interest rate	27,422,120	11,840,034	10,228,013	49,490,167	124,956,799
Index	1,546,068	856,715	3,815,817	6,218,600	6,805,004
Equities	198,015	80,405	558,683	837,103	479,478
Other	557,015	180,805	736,705	1,474,525	773,409
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	-	-	1,928,665	1,928,665	-
Sovereign	-	-	424,903	424,903	-
Corporate	-	-	1,503,762	1,503,762	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

	30/06/2018				31/12/2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Non-deliverable forward - NDF					
Long position	49,425,193	3,863,825	4,502,798	57,791,816	70,920,709
Currency	46,822,719	2,051,466	443,926	49,318,111	41,513,210
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Commodities	-	-	-	-	27,434,820
Interest rate	-	-	-	-	1,972,679
Short position	49,425,193	3,863,825	4,502,798	57,791,816	70,920,709
Currency	39,560,683	840,574	97,221	40,498,478	41,513,210
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Commodities	-	-	-	-	27,434,820
Interest rate	7,251,284	1,208,774	346,705	8,806,763	1,972,679
Other	10,752	2,118	-	12,870	-
Deliverable forward - DF					
Long position	1,806,468	1,009	18,731,735	20,539,212	9,968,321
Interest rate	-	962	-	962	-
Currency	1,806,468	47	18,731,735	20,538,250	9,968,321
Short position	1,806,468	1,009	18,731,735	20,539,212	9,968,321
Interest rate	-	962	-	962	-
Currency	1,806,468	47	18,731,735	20,538,250	9,968,321
Security forwards					
Long position	2,107,706	1,418	-	2,109,124	1,037,415
Interest rate	1,504,366	1,418	-	1,505,784	716,003
Government bonds	603,340	-	-	603,340	321,412
Short position	2,107,706	1,418	-	2,109,124	1,037,415
Interest rate	603,340	1,418	-	604,758	321,412
Government bonds	1,504,366	-	-	1,504,366	716,003
Options market					
Call option - long position	17,231,639	1,035,801	218,938	18,486,378	11,754,348
Equities	308,858	306,305	201,495	816,658	354,955
Currency	6,275,912	728,996	14,000	7,018,908	8,041,827
Corporate	-	-	-	-	2,492
Index	682,189	500	3,443	686,132	621,380
Interest rate	9,964,680	-	-	9,964,680	2,733,694
Put option - long position	21,070,965	4,100,949	177,262	25,349,176	38,513,893
Equities	3,728,699	102,179	175,202	4,006,080	274,612
Index	22,800	-	-	22,800	493,041
Corporate	-	-	-	-	224,922
Currency	6,070,753	3,998,770	2,060	10,071,583	9,927,326
Interest rate	11,248,713	-	-	11,248,713	27,593,992
Call option - short position	16,738,438	359,349	237,994	17,335,781	7,903,951
Equities	113,797	640	34,189	148,626	147,153
Currency	6,010,220	358,124	14,000	6,382,344	6,010,753
Interest rate	10,516,060	-	-	10,516,060	-
Index	98,361	585	189,805	288,751	1,746,045
Put option - short position	14,328,877	3,420,127	9,305	17,758,309	31,390,297
Equities	123,602	308	5,173	129,083	336,537
Index	616,583	-	-	616,583	82,645
Currency	2,339,979	3,419,819	4,132	5,763,930	5,912,423
Interest rate	11,248,713	-	-	11,248,713	25,058,692

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
Futures						
Long position	5,806	6,380	6,380	-	-	101,355
Short position	447,477	32,915	32,915	-	-	83,527
Swaps						
Long position	792,993	829,338	129,536	136,694	563,108	1,204,189
Short position	1,453,930	1,331,019	279,835	172,046	879,138	1,437,598
Credit derivatives						
Long position	98,903	54,482	11,648	13,166	29,668	142,712
Short position	46,713	40,478	-	-	40,478	46,316
Non-deliverable forward - NDF						
Long position	3,535,455	3,539,781	2,430,348	422,758	686,675	1,901,085
Short position	2,004,985	2,045,454	1,711,372	164,029	170,053	2,252,027
Deliverable forward - DF						
Long position	14,350	32,774	31,290	1,372	112	9,738,461
Short position	5,821	5,821	5,821	-	-	9,796,835
Security forwards						
Long position	2,108,103	2,277,623	2,277,489	134	-	521,056
Short position	2,118,411	2,319,277	2,315,330	91	3,856	518,537
Options market						
Long position	987,122	1,184,140	946,362	213,978	23,800	835,982
Short position	162,925	382,751	360,825	9,644	12,282	26,932
Long position	7,542,732	7,924,518	5,833,053	788,102	1,303,363	14,444,840
Short position	6,240,262	6,157,715	4,706,098	345,810	1,105,807	14,161,772

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

c. Notional by counterparty

	30/06/2018					31/12/2017
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	23,011,178	6,866,456	-	-	29,877,634	124,495
Short position	31,388,051	12,932,949	-	-	44,321,000	95,275
Swap						
Long position	-	67,840,993	2,213,777	12,650	70,067,420	137,596,593
Short position	-	67,840,993	2,213,777	12,650	70,067,420	137,596,593
Credit derivatives						
Long position	-	2,237,713	-	-	2,237,713	138,274
Short position	-	1,928,665	-	-	1,928,665	-
Non-deliverable forward - NDF						
Long position	-	43,958,365	13,628,121	205,330	57,791,816	70,920,709
Short position	-	43,958,365	13,628,121	205,330	57,791,816	70,920,709
Deliverable forward - DF						
Long position	-	20,538,434	778	-	20,539,212	9,968,321
Short position	-	20,538,434	778	-	20,539,212	9,968,321
Security forwards						
Long position	-	2,109,124	-	-	2,109,124	1,037,415
Short position	-	2,109,124	-	-	2,109,124	1,037,415
Options market						
Long position	92,897	43,711,772	-	30,885	43,835,554	50,268,241
Short position	254,460	34,767,326	13,000	59,304	35,094,090	39,294,248
Long position	23,104,075	187,262,857	15,842,676	248,865	226,458,473	270,054,048
Short position	31,642,511	184,075,856	15,855,676	277,284	231,851,327	258,912,561

(i) Includes investments funds.

d. Credit derivatives

	30/06/2018	31/12/2017
Credit swap		
Transferred risk		
Sovereign	2,141,319	-
Corporate	96,395	-
Risk received		
Sovereign	(424,903)	138,274
Corporate	(1,503,762)	-
	309,049	138,274

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 margins

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$2,867,488 (December 31, 2017 – R\$1,849,183) and shares in the amount of R\$861,452 (December 31, 2017 – R\$765,032).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

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.).
- 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, when 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. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

Loans and other operations with credit 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	11,878,720	(713,846)	9,439,841	(619,973)
Financing	1,165,643	(92,678)	913,181	(100,029)
FINAME/BNDES	2,857,680	(14,163)	2,817,560	(13,915)
Securities financing	914,884	-	156,011	-
Transferred loans with co-obligations (i)	325,613	-	433,527	-
Total	17,142,540	(820,687)	13,760,120	(733,917)

(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	-	3,090,686	599,448	4,111,997	7,802,131	-	5,565,057	-
A	2	378,046	183,425	3,035,213	3,596,686	(18,872)	3,225,616	(15,681)
B	4	182,864	269,177	1,183,787	1,635,832	(15,963)	1,488,641	(15,027)
C	360	1,103,673	378,779	735,190	2,218,002	(110,348)	1,138,577	(56,297)
D	14,618	141,428	51,896	951,542	1,159,484	(193,529)	1,596,454	(200,976)
E	76,138	45,677	25,485	86,877	234,177	(70,253)	91,108	(27,567)
F	7,815	137,015	3,287	10,602	158,719	(81,435)	563,173	(327,161)
G	231,224	32	-	2,622	233,878	(226,656)	964	(675)
H	18,852	30,147	19,095	35,537	103,631	(103,631)	90,530	(90,533)
Total	349,013	5,109,568	1,530,592	10,153,367	17,142,540	(820,687)	13,760,120	(733,917)

iii. By activity sector

Sector	30/06/2018	31/12/2017
Commerce	2,406,121	1,332,948
Industry	3,898,841	2,404,767
Services	9,743,355	9,101,734
Rural	313,259	397,686
Individuals	780,964	522,985
Total	17,142,540	13,760,120

b. Other receivables with loans characteristics and transferred loan

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

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	-	-	-	34,939	34,939	-	4,314	-
C	-	57,072	1,680	2,843	61,595	(1,848)	51,621	(1,549)
F	-	-	-	19,341	19,341	(9,670)	20,547	(10,273)
Total	-	57,072	1,680	57,123	115,875	(11,518)	76,482	(11,822)

ii. By activity sector

Sector	30/06/2018	31/12/2017
Services	96,534	76,482
Individuals	19,341	-
Total	115,875	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	(116)	-	-
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	(13,219)	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 concentration

	30/06/2018	%	31/12/2017	%
Largest debtors				
10 largest debtors	7,742,403	44%	6,578,322	48%
20 following largest debtors	2,421,727	14%	2,011,713	14%
50 following largest debtors	2,909,317	16%	2,138,088	15%
100 following largest debtors	2,711,086	15%	2,029,656	14%
200 following largest debtors	1,595,302	9%	1,171,901	8%
500 following largest debtors	318,401	2%	187,496	1%
Above 500 following largest debtors	27,754	0%	16,312	0%
Total	17,725,990	100%	14,133,488	100%

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Opening balances	(1,088,472)	(1,306,417)	(871,528)	(835,069)
Reversal/(accrual) of allowance	(12,508)	(63,880)	(74,983)	(175,252)
Renegotiation of credits written off to loss	2,182	-	(74,137)	(369,084)
Allowance for guarantee	(16,672)	10,662	(17,686)	(14,174)
Guarantees	-	-	(80,124)	-
Exchange rate variation	(12,062)	4,946	(10,732)	27,502
Credits written off as loss	5,000	41,893	6,658	53,281
Closing balances	<u>(1,122,532)</u>	<u>(1,312,796)</u>	<u>(1,122,532)</u>	<u>(1,312,796)</u>
Breakdown of closing balances				
Allowance for loan losses	(820,687)	(1,041,217)	(820,687)	(1,041,217)
Allowance for other receivables (Note 10 (b))	(193,319)	(28,933)	(193,319)	(28,933)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(13,219)	(31,658)	(13,219)	(31,658)
Allowance for guarantes	(95,307)	(210,988)	(95,307)	(210,988)
	<u>(1,122,532)</u>	<u>(1,312,796)</u>	<u>(1,122,532)</u>	<u>(1,312,796)</u>

f. Renegotiation/recovery of credits written off as loss

As at June 30, 2018, the amount of R\$1,151,811 were due to credit renegotiation (December 31, 2017 – R\$1,722,196). Also in the semester ended June 30, 2018 there were R\$10,166 written off loans recovered (December 31, 2017 – R\$145,835).

11. Other receivables/obligations

a. Foreign Exchange portfolio

	30/06/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	4,434,722	11,825,190	810,886	11,177,659
Rights on foreign exchange sales	11,796,393	-	11,193,962	-
(-) Advances on foreign exchange contracts	11,799	(455,776)	2,897	(293,989)
(-) Advances in foreign currency received	(2,139)	-	-	-
(-) Advances in local currency received	(198)	-	(37)	-
Liability for foreign exchange purchase	-	4,463,686	-	890,133
Total	<u>16,240,577</u>	<u>15,833,100</u>	<u>12,007,708</u>	<u>11,773,803</u>
Current	16,240,577	15,833,100	12,007,708	11,773,803
Long-term	-	-	-	-

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).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

b. Securities trading and brokerage

	30/06/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	681,820	307,291	372,741	264,839
Unsettled financial assets / liabilities	4,514	485,733	-	64
Pending settlement	8,101,624	5,035,097	3,023,323	1,467,741
Creditors for stock loans	-	6,971	-	570,106
Other securities trading and brokerage	-	384	-	203
Commissions and brokerage payable	507,273	2,674,689	202,174	1,929,630
Swap brokerage	133	-	129	-
Total	9,295,364	8,510,165	3,598,367	4,232,583
Current	9,295,364	8,510,165	3,598,367	4,232,583
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, on the regular term.

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

12. Other receivables

a. Income receivable

	30/06/2018	31/12/2017
Dividends and bonus	66,350	51,974
Receivables from services rendered	72,505	89,614
Rights on energy sales	364,507	1,925,051
Management and performance fees for investment funds and portfolio	343,533	412,319
Distribution fees	5,677	4,330
Commissions on guarantees	23,183	26,675
Total	875,755	2,509,963
Current	875,755	2,509,963
Long-term	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

b. Sundry

	30/06/2018	31/12/2017
Deferred tax assets - income and social contribution (note 18)	5,508,835	4,411,458
Deferred tax assets - Others	283,555	209,297
Sundry (i)	2,104,094	3,034,267
Judicial deposits	1,545,322	1,497,424
Taxes recoverable to offset	646,849	2,875,359
Securities and credits receivable		
With loan characteristics (note 10 b)	115,875	76,482
Without loan characteristics	783,875	697,091
Investment properties	589,482	554,525
Salaries advances	37,488	24,746
Advance to suppliers	1,502	108,237
Other	521,078	302,353
Total	12,137,955	13,791,239
Current	1,574,602	1,338,588
Long-term	10,563,353	12,452,651

(i) Includes receivables from sale of investmets.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities							
	Shareholders' Equity		Net income (loss)				Interest	
			Quarter ended:		Semester ended:			
	30/06/2018	31/12/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	31/12/2017
In Brazil								
Banco Pan S.A.	4,016,378	3,555,824	42,213	42,794	98,764	46,463	50.59%	40.35%
Warehouse 1 Empreendimentos Imobiliários S.A.	34,713	34,337	74	5,145	741	5,145	35.00%	35.00%
Pan Seguros S.A.	512,305	616,112	7,556	6,016	25,141	14,715	51.00%	51.00%
Pan Corretora S.A.	43,743	54,486	1,108	2,521	4,171	6,401	51.00%	51.00%
Abroad								
Engelhart CTP Group S.A.	2,637,048	2,260,025	(183,576)	(468,580)	25,507	(174,922)	18.96%	19.44%
EFG International (i) (ii)	6,636,882	7,146,953	185,016	-	185,016	-	30.00%	30.00%

(i) The equity accounting result related to the investment in EFG recognized during the period ended June 30, 2018 comprises the income generated by the investee for the six-month period of 2018, in addition to the second half of 2017, as a result of the late disclosure of its financial information.

(ii) On June 30, 2018, the equity on EFG include total return swap in the amount of CHF46,686.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, otherwise indicated)

	Changes in investments							30/06/2018	Equity in earnings of associates from 30/06/2017
	31/12/2017	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation	Equity in earnings of subsidiaries		
In Brazil									
Banco Pan S.A.	1,341,299	542,698	(19,546)	-	215	-	49,798	1,914,464	18,160
Negative Goodwill - Banco Pan Warehouse 1 Empreendimentos	(56,884)	(161,499)	-	-	-	-	-	(218,383)	-
Imobiliários S.A.	12,017	-	-	-	-	-	391	12,408	1,801
Pan Corretora S.A.	27,787	-	(8,253)	-	-	-	2,774	22,308	3,265
Pan Seguros S.A.	314,214	-	(65,465)	-	(306)	-	12,822	261,265	7,505
Other	5,909	(910)	-	-	-	-	(396)	4,603	315
Total	<u>1,644,342</u>	<u>380,289</u>	<u>(93,264)</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>65,389</u>	<u>1,996,665</u>	<u>31,046</u>
Abroad									
BTG Pactual Holding S.A.R.L. (i) (ii)	-	-	-	-	-	-	-	-	78,827
Maybroke Holding S.A. (i)	-	-	-	-	-	-	-	-	11,722
Engelhart CTP Group S.A. (i)	439,972	(22,422)	-	-	-	78,454	3,783	499,787	(22,327)
EFG International (i)	2,105,513	-	(74,991)	(514,668)	210,807	262,495	(29,106)	1,960,050	-
Goodwill - EFG International (i)	1,029,756	-	-	-	-	160,698	(62,289)	1,128,165	(64,616)
	<u>3,575,241</u>	<u>(22,422)</u>	<u>(74,991)</u>	<u>(514,668)</u>	<u>210,807</u>	<u>501,647</u>	<u>(87,612)</u>	<u>3,588,002</u>	<u>3,606</u>
Total	<u>5,219,583</u>	<u>357,867</u>	<u>(168,255)</u>	<u>(514,668)</u>	<u>210,716</u>	<u>501,647</u>	<u>(22,223)</u>	<u>5,584,667</u>	<u>34,652</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to the exchange rate variation.

(ii) During the year ended on December 31, 2017, the investment in BTG Pactual Holding S.A.R.L., was transferred to securities.

(iii) See note 2.

(iv) Includes effects recognized by EFG in its Shareholders' Equity, comprised by cumulative translation adjustments, as well as gains related to pension plans.

14. Intangible assets

	Changes in Intangible assets					30/06/2018
	31/12/2017	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Goodwill	36,351	3,578	(9,445)	(18,241)	24,624	36,867
Cost	1,057,494	3,578	(32,445)	-	32,038	1,060,665
Amortization	(1,021,143)	-	23,000	(18,241)	(7,414)	(1,023,798)
Other intangible assets	169,482	-	-	-	35,699	205,181
Cost	430,902	-	-	-	126,913	557,815
Amortization	(261,420)	-	-	-	(91,214)	(352,634)
Total	205,833	3,578	(9,445)	(18,241)	60,323	242,048

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

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	17,824,940	8,737,856	7,684,136	633,951	768,997	-	9,178,313
Open market funding	54,714,317	49,908,083	2,873,607	1,113,765	57,864	760,998	33,890,221
Funds from securities issued and accepted	12,427,255	509,460	2,778,541	3,990,387	4,394,075	754,792	10,289,546
Loans and borrowings	5,314,388	3,229,750	798,002	1,127,943	-	158,693	4,729,925
Subordinated debts and subordinated debt eligible to equity	9,395,914	-	1,623,089	2,668,133	1,559,098	3,545,594	9,360,546
Total	99,676,814	62,385,149	15,757,375	9,534,179	6,780,034	5,220,077	67,448,551

b. Deposits

	30/06/2018						31/12/2017
		Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	
	Total						Total
Demand deposits	314,021	314,021	-	-	-	-	441,320
Interbank deposits	177,913	96,972	64,356	16,585	-	-	136,840
Time deposits	17,333,006	8,326,863	7,619,780	617,366	768,997	-	8,600,153
Total	17,824,940	8,737,856	7,684,136	633,951	768,997	-	9,178,313

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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	13,521,761	12,101,297	757,301	109,728	37,031	516,404	9,308,876
Federal government bonds	3,681,749	3,681,749	-	-	-	-	6,723,716
Corporate securities	8,975,588	8,215,731	756,620	-	1,889	1,348	1,245,449
Foreign securities	229,407	203,817	681	-	19,867	5,042	1,339,711
Foreign government bonds	635,017	-	-	109,728	15,275	510,014	-
Third-party portfolio	26,280,622	26,277,659	-	-	-	2,963	19,055,738
Federal government bonds	25,829,894	25,829,894	-	-	-	-	18,598,342
Corporate bonds	438,773	435,810	-	-	-	2,963	364,836
Foreign securities	11,955	11,955	-	-	-	-	29,190
Foreign government bonds	-	-	-	-	-	-	63,370
Unrestricted portfolio (i)	14,911,934	11,529,127	2,116,306	1,004,037	20,833	241,631	5,525,607
Federal government bonds	9,318,449	6,137,500	2,116,306	954,243	-	110,400	5,144,254
Corporate bonds	5,391,627	5,391,627	-	-	-	-	-
Foreign securities	-	-	-	-	-	-	381,353
Foreign government bonds	201,858	-	-	49,794	20,833	131,231	-
Total	54,714,317	49,908,083	2,873,607	1,113,765	57,864	760,998	33,890,221

(i) From the unrestricted portfolio, R\$14,645,696 (December 31, 2017 – R\$4,770,136) refers to short position and R\$266,238 (December 31, 2017 – R\$755,471) to third-party portfolio.

d. Funds 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	7,603,141	503,466	2,677,872	2,145,311	2,276,492	-	6,423,836
Financial bills	5,402,540	131,808	1,414,725	1,612,236	2,243,771	-	4,772,064
Mortgage bonds/letters of credit for agribusiness	2,063,956	366,181	1,231,303	438,272	28,200	-	1,575,503
Certificates of structured transactions	136,645	5,477	31,844	94,803	4,521	-	76,269
Securities – abroad	4,824,114	5,994	100,669	1,845,076	2,117,583	754,792	3,865,710
Medium term notes	4,542,889	-	-	1,731,484	2,117,583	693,822	3,682,691
Fixed rate notes and others	281,225	5,994	100,669	113,592	-	60,970	183,019
Total	12,427,255	509,460	2,778,541	3,990,387	4,394,075	754,792	10,289,546

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.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

e. Loans and onlending

	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	2,502,324	1,690,020	115,975	696,329	-	-	1,920,118
Foreign currency	891,430	79,126	115,975	696,329	-	-	147,097
Loans abroad	1,610,894	1,610,894	-	-	-	-	1,773,021
Loans - Brazil	48,420	48,420	-	-	-	-	75,391
Loans	48,420	48,420	-	-	-	-	75,391
Borrowings in Brazil	2,763,644	1,491,310	682,027	431,614	-	158,693	2,734,416
FINAME/BNDES	2,763,644	1,491,310	682,027	431,614	-	158,693	2,734,416
Total	5,314,388	3,229,750	798,002	1,127,943	-	158,693	4,729,925

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 capital

Type - original currency	30/06/2018					31/12/2017
	Issued amount (original currency)	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	4,274,901	4,808,485
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,561,206	1,508,752
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	September 2019	8.75%	3,559,807	3,043,309
Total					9,395,914	9,360,546

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) The Bank 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	3,451	612,403
Employees' profit sharing	396,240	678,304
Total	399,691	1,290,707
Current	399,691	1,290,707
Long term	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

b. Tax and social security

	30/06/2018	31/12/2017
Tax and contributions to be collected	91,925	189,681
Tax and contribution payable (i)	388,802	2,301,464
Deferred social contribution and income tax (Note 18)	103,462	81,288
Deferred PIS and COFINS	896	10
Total	585,085	2,572,443
Current	480,727	2,480,875
Long term	104,358	91,568

(i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the partial 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 were 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

	30/06/2018	31/12/2017
Payable for acquisition of assets and rights (i)	1,109,444	1,074,677
Accounts payable - personnel	176,582	178,929
Provision for contingent liabilities (Note 17(c))	1,776,343	2,053,233
Other creditors - Brazil	3,312,815	2,678,845
Other creditors - Abroad	2,495	20,810
Allowance for guarantees (Note 10(e))	196,240	261,855
Obligations related to transferred loans	6,318	6,318
Other	20,240	22,522
Total	6,600,477	6,297,189
Current	893,407	386,849
Long term	5,707,070	5,910,340

(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 and its subsidiaries' management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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 estimate of probable losses 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

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 December 31, 2017 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
Balance at the beginning of the semester	1,727,046	275,348	50,839	2,053,233
Recognition	34,228	53,470	6,757	94,455
Write-off	(267,275)	(97,779)	(6,291)	(371,345)
Balance at the end of the semester	1,493,999	231,039	51,305	1,776,343
Other contingencies and Provision for contingent liabilities (Note 16 (c))				1,776,343
				2,018,599

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

The nature of the main provisions is presented below:

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

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.
- 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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

- The Holding Internacional S.A. received a tax assessment of income tax paid abroad, and compensated in Brazil on 2012. The value of the booking is R\$148 millions. Against the booking, Holding presented an administrative appeal, which awaits trial in first instance. On June 2018, Holding Internacional was notified of the result of the diligence in first instance that recognized partial compensation of foreign earnings in the amount of R\$43 million.
- 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 the 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
Income tax and social contribution				
Tax base	341,365	(376,365)	1,100,854	622,135
Income before taxes and profit sharing	447,001	315,361	1,330,574	1,497,009
Statutory profit sharing	(105,636)	(61,726)	(230,073)	(251,098)
Interest on equity	-	(630,000)	353	(623,776)
Total charge of income tax and social contribution at the current rates	(178,349)	(133,080)	(495,385)	(284,405)
Permanent (additions) / deductions in taxation calculation	162,635	259,829	185,979	57,331
Equity pick up in associated and jointly controlled companies in Brazil	27,672	417,982	177,795	191,836
Foreign earnings	-	(131,260)	-	(125,956)
Dividends	441	12,747	2,708	14,305
Other Permanent (additions) / deductions	134,522	(39,640)	5,476	(22,854)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Temporary (additions) / deductions on the taxation calculation	(994,928)	(495,695)	(481,985)	451,509
Reversal of provision for goodwill on the acquisition of investments	-	4,213	-	8,425
Interest on equity	(3,606)	(283,500)	270,433	117,000
Fair value of securities and derivatives	(909,878)	(168,926)	(766,298)	343,744
Allowance for loan losses	(48,156)	(29,089)	(66,713)	(49,593)
Tax contingencies and provision for suspended-payment taxes	(262)	3,688	(512)	2,703
Other provisions	(33,026)	(22,081)	81,105	29,230
Increase in CSLL - 5%	-	(5,171)	-	-
Offset of tax losses carry forward - Brazil	196,201	100,404	(219,554)	(519,878)
Tax and social contribution expense	<u>(814,441)</u>	<u>(273,713)</u>	<u>(1,010,945)</u>	<u>(295,443)</u>
Temporary differences				
Recognition / (reversal) of the quarter / semester	988,092	496,807	469,869	(450,375)
Recognition on goodwill on investments	-	(149,400)	-	-
Recognition / (reversal) of tax losses carry forward	(184,503)	31,681	224,290	563,811
Recognition on foreign companies tax losses carry forward	(34,158)	247,881	-	298,807
Recognition / (reversal) of loss on investment abroad	401,689	41,391	401,689	-
Other temporary differences	(74,881)	(148,151)	41,122	(146,858)
Expenses from deferred taxes	<u>1,096,239</u>	<u>520,209</u>	<u>1,136,970</u>	<u>265,385</u>
Total revenues / (expenses)	<u>281,798</u>	<u>246,496</u>	<u>126,025</u>	<u>(30,058)</u>

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	977,349	626,948	(5,704)	1,598,593
Interest on equity	269,968	3,638	-	273,606
Allowance for loan losses	618,922	57,430	(725)	675,627
Fair value of securities and derivatives	1,931,453	510,353	(135)	2,441,671
Tax contingencies and provision for suspended-payment taxes	186,124	-	126	186,250
Other temporary differences	427,642	4,304	(98,858)	333,088
Total	<u>4,411,458</u>	<u>1,202,673</u>	<u>(105,296)</u>	<u>5,508,835</u>
Income tax and social contribution	31/12/2016	Recognition	Realization (i)	30/06/2017
Tax loss carryforwards	1,380,635	764,407	(107)	2,144,935
Interest on equity	400,500	-	(117,000)	283,500
Allowance for loan losses	878,723	47,670	1,922	928,315
Fair value of securities and derivatives	1,372,210	451,059	(721,537)	1,101,732
Goodwill on the acquisition of investment	16,847	-	(8,425)	8,422
Tax contingencies and provision for suspended-payment taxes	187,143	753	(1,950)	185,946
Other temporary differences	226,853	-	(59,802)	167,051
Total	<u>4,462,911</u>	<u>1,263,889</u>	<u>(906,899)</u>	<u>4,819,901</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	335	1,910	-	2,245
Total	<u>4,463,246</u>	<u>1,265,799</u>	<u>(906,899)</u>	<u>4,822,146</u>

(i) On June 30, 2018, the amount of R\$150,234 (December 31, 2017 – R\$220,213), 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:

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2018	1,566,728	295,677	1,862,405
2019	833,333	160,585	993,918
2020	491,653	171,663	663,316
2021	469,022	183,179	652,201
2022 onwards	549,507	787,488	1,336,995
Total	3,910,243	1,598,592	5,508,835
Present value	3,155,729	1,389,258	4,544,987

Deferred income tax and social contribution liabilities amounts to R\$103,462 (December 31, 2017 - R\$81,288), 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 was approved by BACEN on November 6, 2017.

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting 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 acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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 Bank'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 Bank 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, 2016.

d. Legal reserve

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

e. Statutory reserve

According to the Bank's by laws, the purpose of this reserve is to maintain working capital and is limited to the balance of 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 adjusted in accordance with Article 202 of Law 6404/76.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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.

h. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income			
			Quarter ended:		Semester ended:	
	30/06/2018	31/12/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Banco BTG Pactual S.A.	19,164,514	18,469,227	(253,129)	124,250	224,422	996,881
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A.(i)	54,465	54,465	-	-	-	-
Others (ii)	-	-	875,602	378,308	998,409	225,744
Banco BTG Pactual S.A. Consolidated	19,218,979	18,523,692	622,473	502,558	1,222,831	1,222,625

(i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.

(ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

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	177,455	138,551	336,700	266,724
Profesional services	204,099	71,291	331,254	205,687
Brokerage	55,915	37,219	116,462	75,476
Guarantees	71,461	63,178	127,099	123,988
Commission over securities placement	86,621	33,741	131,194	89,818
Other services	2,044	3,001	3,819	8,381
Total	597,595	346,981	1,046,528	770,074

21. Other operating income

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Adjustment of amounts receivable for acquisition of investments	45,755	50,688	96,277	77,481
Foreign exchange rate gains	91,461	47,992	136,274	142,095
Reversal of provision - contingencies	61,305	125,667	88,604	140,215
Monetary correction over judicial deposits	20,898	25,187	40,231	67,649
Recovery of charges and expenses	283	5,515	464	5,802
Reversal of provision - other	1,450	-	2,869	947
Other operating income	22,893	3,105	24,285	45,144
Total	244,045	258,154	389,004	479,333

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

22. Other operating expenses

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Tax restatement expense	19,718	41,296	41,347	48,861
Foreign exchange rate losses	56,299	102,842	101,946	171,803
Allowance for other receivables without loan characteristics	10,541	10,503	26,191	17,883
Adjustment of amounts payable for acquisition of investments (i)	18,541	33,383	37,110	72,288
Fair value of assets	-	(21,325)	-	65,779
Goodwill amortization (ii)	-	40,871	-	81,871
Discounts granted in credit renegotiation	19,350	131	19,559	818
Allowance for guarantee	16,672	10,662	17,686	14,174
Other	(1,728)	1,116	21,277	24,835
Total	139,393	219,479	265,116	498,312

(i) Mainly due to the acquisition of Banco Pan S.A. and Banco Sistema S.A..

(ii) Mainly due to the of Celfin goodwill amortization.

23. Other administrative expenses

	Quarter ended:		Semester ended:	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Outsourced services and consulting	88,930	104,897	188,207	184,174
Telecommunications and data processing	64,824	58,224	120,139	107,953
Leases and condominiums	24,124	22,106	47,137	44,769
Expenses of the financial system	41,587	38,039	79,184	66,841
Advertising and public relations	16,801	13,624	32,121	24,212
Depreciation and amortization	14,218	15,993	28,561	32,416
Travel and lodging	(7,618)	12,527	21,567	19,817
Allowance for contingent	20,168	14,346	33,604	38,198
Other	9,719	12,941	9,719	8,006
Total	272,753	292,697	560,239	526,386

24. 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 arm's 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
Assets						
Open market investments	-	-	33,112	27,171	33,112	27,171
Interbank investments deposits	-	-	65,005	400,058	65,005	400,058
Securities	-	-	24,477	49,336	24,477	49,336
Derivative financial instruments	-	-	-	72,276	-	72,276
Loans and Receivables	3,209,546	2,409,687	-	-	3,209,546	2,409,687
Sundry	-	-	10,836	-	10,836	-
Liabilities						
Interbank deposits	-	-	-	(85,704)	-	(85,704)
Time deposits	(311,572)	(59,647)	-	-	(311,572)	(59,647)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

	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
Securities issued abroad	-	-	(65,507)	(755,288)	(65,507)	(755,288)
Sundry	-	-	(10,836)	-	-	-

	Parent company		Subsidiaries and joint controlled entities		Total	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Statements of income						
Financial income	-	12,842	134,912	99,407	134,912	112,249
Financial expenses	(7,498)	(15,632)	(19,401)	(4,276)	(26,899)	(19,908)
Other operating income / (expenses)	-	(194,103)	1,277	349	1,277	(193,754)

(i) Includes natural person.

Total compensation paid to key management personnel totaling this semester R\$30,554 (June 30, 2017 – R\$4,970) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

Balances at beginning of the semester	31/12/2017	31/12/2016
Cash and cash equivalents	4,347,209	674,114
Open market investments	17,683,903	11,360,730
Interbank deposits	1,169,893	1,938,904
Total	23,201,005	13,973,748

Balances of end of the semester	30/06/2018	30/06/2017
Cash and cash equivalents	2,736,574	1,049,060
Open market investments	29,539,236	23,345,659
Interbank deposits	1,397,574	2,268,457
Total	33,673,384	26,663,176

b. Commitments and responsibilities

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

	30/06/2018	31/12/2017
Co-obligation and risks for guarantees granted	43,908,542	29,531,510
Responsibility for the management of futures and investment portfolio (i)	213,379,839	165,325,497
Securities	43,817,934	36,030,558
Securities under custody	3,254,427,487	1,116,058,327
Securities trading and brokerage	2,061,666,024	1,833,298,069
Loans contract to release	3,365,684	972,000
Commitments to be released	51,900	12,900

(i) Recognized by the sum of the equity values of funds and investment portfolios

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

June 30, 2018

(In thousands of reais, except otherwise indicated)

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

“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 loans contracted with clients to release.

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