

# **Interim Condensed Financial Statements**

## **BTG Pactual Participations Ltd.**

June 30, 2017

with independent auditor's review report

## **BTG Pactual Participations Ltd.**

Interim condensed financial statements

As of June 30, 2017

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(A free translation from Portuguese into English of the independent auditor's review report on interim condensed financial statements prepared in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.)

## **Independent auditor's review report on the interim condensed financial statements at June 30, 2017**

To the Management and Shareholders of  
**BTG Pactual Participations Ltd.**  
São Paulo - SP

We have reviewed the interim condensed financial statements of **BTG Pactual Participations Ltd. (Company)** as of June 30, 2017 and the related statements of income, comprehensive income, changes in shareholders' equity and the cash flows for the quarter and semester then ended, as well as a summary of the main accounting practices and other notes.

The Company's management is responsible for the fair presentation and preparation of the interim condensed financial statements in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express an opinion on the interim information based on our review.

### **Scope of the review**

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 and ISRE 2410 – *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

## **Conclusion on the interim condensed financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements referred to above do not present fairly, in all material respects, in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

## **Other issues**

### **Audit of the previous period's and year's amounts**

The amounts related to the year ended December 31, 2016 and to the quarter and six-month period ended June 30, 2016, presented for comparison purposes, were previously audited and reviewed by other independent auditors, whose reports thereon, dated February 14, 2017 and August 09, 2016 respectively, had no modification.

São Paulo, August 14, 2017.

**Baker Tilly 4Partners Auditores Independentes S.S.**



Fábio Rodrigo Muralo

## BTG Pactual Participations Ltd.

### Interim condensed balance sheets

As of June 30, 2017 and December 31, 2016

(In thousands of reais)

<b>Assets</b>	<b>Note</b>	<b>06/30/2017</b>	<b>12/31/2016</b>
Cash and cash equivalents		-	107
Investment entity portfolio	5	323,295	722,527
Other assets	6b	3,546	-
<b>Total assets</b>		<b>326,841</b>	<b>722,634</b>
<b>Liabilities</b>			
Other liabilities	6b	3,546	-
<b>Total liabilities</b>		<b>3,546</b>	<b>-</b>
Shareholders' equity			
Capital stock and share premium	6	1,504,802	1,504,802
Treasury shares	1, 6b	(2,954)	(17,991)
Other comprehensive income		421,727	418,648
Accumulated losses		(1,600,280)	(1,182,825)
<b>Total shareholders' equity</b>		<b>323,295</b>	<b>722,634</b>
<b>Total liabilities and shareholders' equity</b>		<b>326,841</b>	<b>722,634</b>

The accompanying notes are an integral part of these interim condensed financial statements.

## BTG Pactual Participations Ltd.

### Interim condensed statements of income

Quarters and semesters ended June 30

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

		Quarters ended on:		Semesters ended on:	
	Note	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Loss on investment entity portfolio measured at fair value	8	(304,831)	12,932	(372,695)	(9,661)
Other operating income / (expenses)	9	-	(229)	-	778
<b>Operating income / (loss)</b>		<b>(304,831)</b>	<b>12,703</b>	<b>(372,695)</b>	<b>(8,883)</b>
Administrative expenses	10	-	(84)	(105)	(267)
<b>Income / (loss) for the period</b>		<b>(304,831)</b>	<b>12,619</b>	<b>(372,800)</b>	<b>(9,150)</b>
<b>Gain/(loss) attributed to:</b>					
Controlling shareholders		(304,831)	12,619	(372,800)	(9,150)
Earning / (loss) per share (basic and diluted - R\$)	7	(0.39)	0,02	(0.47)	(0,01)

The accompanying notes are an integral part of these interim condensed financial statements.

## BTG Pactual Participations Ltd.

### Interim condensed statements of comprehensive income

Quarters and semesters ended June 30

(In thousands of reais)

	Quarters ended on:		Semesters ended on:	
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Loss for the quarter	(304,831)	12,932	(372,800)	(9,661)
Other comprehensive income / (loss) not to be reclassified to profit or loss:				
Currency translation adjustments	24,820	(67,669)	3,078	(111,093)
	24,820	(67,669)	3,078	(111,093)
<b>Total comprehensive loss for the period</b>	<b><u>(280,011)</u></b>	<b><u>(54,737)</u></b>	<b><u>(369,722)</u></b>	<b><u>(120,754)</u></b>
<b>Total comprehensive loss attributed to:</b>				
Controlling shareholders	(280,011)	(54,737)	(369,722)	(120,754)

The accompanying notes are an integral part of these interim condensed financial statements.

## BTG Pactual Participations Ltd.

### Interim condensed statement of changes in shareholders' equity

Semesters ended June 30, 2017 and 2016

(In thousands of reais)

	Note	Capital stock and share premium	Other comprehensive income from Company	Treasury shares	Accumulated losses	Total shareholders' equity
<b>Balance as of December 31, 2015</b>		<b>1,328,880</b>	<b>600,930</b>	<b>(32,665)</b>	<b>(1,173,856)</b>	<b>723,289</b>
Capital increase	6	35,548	-	-	-	35,548
Repurchase of shares / (sale) of treasury shares	1, 6	-	-	(6,293)	-	(6,293)
Cancellation of treasury shares	1, 6b	-	-	57,968	(57,968)	-
Net loss of the period		-	-	-	(9,150)	(9,150)
Currency translation adjustments		-	(111,093)	-	-	(111,093)
<b>Balance as of June 30, 2016</b>		<b>1,364,428</b>	<b>489,837</b>	<b>(37,627)</b>	<b>(1,240,974)</b>	<b>575,664</b>
<b>Balance as of December 31, 2016</b>		<b>1,504,802</b>	<b>418,649</b>	<b>(17,991)</b>	<b>(1,182,826)</b>	<b>722,634</b>
Repurchase of shares / (sale) of treasury shares	1, 6	-	-	(29,617)	-	(29,617)
Cancellation of treasury shares	1, 6b	-	-	44,654	(44,654)	-
Net loss of the period		-	-	-	(372,800)	(372,800)
Currency translation adjustments		-	3,078	-	-	3,078
<b>Balance as of June 30, 2017</b>		<b>1,504,802</b>	<b>421,727</b>	<b>(2,954)</b>	<b>(1,600,280)</b>	<b>323,295</b>

The accompanying notes are an integral part of these interim condensed financial statements.



## BTG Pactual Participations Ltd.

### Interim condensed statements of cash flows

Semesters ended June 30, 2017 and 2016

(In thousands of reais)

	<u>Note</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Operating activities			
Loss for the semester		<u>(372,800)</u>	<u>(9,150)</u>
Adjustments loss for the semester			
Losses from investment entity portfolio measured at fair value	9	372,695	9,661
Currency translation adjustments		3,078	-
Adjusted loss for the semester		<u>2,973</u>	<u>511</u>
(Increase)/decrease in operating assets, net			
Investment entity portfolio		26,537	58,422
Other assets		(3,546)	-
Due to brokers		-	(540)
Other liabilities		3,546	-
Cash provided by / (used in) by operating activities		<u>29,510</u>	<u>58,393</u>
Financing activities			
Repurchase of treasury shares		(29,617)	(62,930)
Cash provided by / (used in) by financing activities		<u>(29,617)</u>	<u>(62,930)</u>
<b>Decrease in cash and cash equivalents</b>		<b><u>(107)</u></b>	<b><u>(4,537)</u></b>
Balance of cash and cash equivalents			
At the beginning of the semester		107	-
Foreign exchange gains on cash and cash equivalents		-	(4,561)
At the end of the semester		-	24
<b>Decrease in cash and cash equivalents</b>		<b><u>(107)</u></b>	<b><u>(4,537)</u></b>

The accompanying notes are an integral part of these interim condensed financial statements.

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of June 30, 2017

(In thousands of reais)

## **1. Operations**

BTG Pactual Participations Ltd ("BTGP" or "Company") was incorporated as a tax exempted Limited Liability Company under the laws of Bermuda on March 26, 2010. On December 29, 2010, the Bermuda monetary authority approved the incorporation of the Company. The Company headquarters is located on Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda.

The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2035, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

Banco BTG Pactual S.A. ("BTG Pactual" or "Bank") and BTGP (together with BTG Pactual, the "Group") have units listed on NYSE Euronext in Amsterdam and B3 in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share and 2 preferred shares, class B of BTG Pactual Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

The Company is the sole owner of BTG Bermuda LP Holdco Ltd ("BTG Holdco") which, on December 29, 2010, received a Class C common share from BTG Pactual Management Ltd and thus became general partner of BTG Investments LP ("BTGI"). As a consequence of this transaction, the Company obtained the right to control the financial and operating policies of BTGI.

BTGI was formed in 2008 and makes proprietary capital investments in a wide range of financial instruments, including Merchant Banking investments in Brazil and overseas, and a variety of financial investments in global markets.

BTG Pactual's asset management area manages BTGI's assets and receives fees at arm's length.

### **Special Committee**

On December 4, 2015, the Board of Directors created a Special Committee, consisting of a majority of independent/non-executive members of the Board of Directors, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

On April 7, 2016, the Special Committee, assisted by outside counsels, concluded their investigation and released the final report. Based on its investigation, the Legal Counsel found no basis to conclude that André Santos Esteves, BTG Pactual or members of its personnel that were subject to this

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

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investigation, were engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, 2016, the Brazilian Supreme Court authorized Mr. André Santos Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

### **Buyback Program**

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 92,742,230 units have been repurchased in the total amount of R\$1,260,754 and 86,530,430 units had been canceled, in the amount of R\$1,174,199. On June 30, 2017, 6,211,800 (December 31, 2016: 5,896,900) units are held in treasury.

### **New unit programs**

On February 14, 2017 the Board of Directors have approved two new unit programs, which units will be trade on the B3 S.A., comprised 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 BBTG12 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by BTG Pactual Participations Ltd. Holders of the current units traded under the ticker symbol BBTG11 will be able to opt, should they wish to do so, to migrate all or part of their BBTG11 Unit holdings toward the new BPAC11 and BBTG12 units. Units Holders must manifest their intention to opt in favor of the migration within a specified deadline, initiated on February 15, 2017 and ending on December 28, 2017.

### **Corporate events**

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazil energy trading desk from the operational structure of BTG Pactual and to rearrange the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners ("Engelhart CTP"). The Commodities Platform will operate separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. It is anticipated that a portion of such equity will be held by senior employees of Engelhart CTP under an incentive program. Up to five years after the completion of the separation, Engelhart CTP will have the option to acquire its remaining equity interest held by Banco for its shareholders' equity value.

BTG Pactual Group issued new units as a consequence of this transaction, which lead to a new issuance of shares from BTGP, during the year ended December 31, 2016, as described in note 6.

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### **Notes to the interim condensed financial statements**

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(In thousands of reais)

#### **Acquisitions and sales**

On December 31, 2016, BTGI Investimentos Florestais S.A., one of BTGI's subsidiaries, raised capital through a share issuance that was fully subscribed by Fundo de Investimento em Participações Development Fund Warehouse. Subsequent to the capital increase, BTGI Investimentos Florestais S.A. acquired a 26.67% stake in Timber SPE S.A., for approximately R\$8.27 million.

On July 29, 2016, the Company, through BTG Pactual Brazil Infrastructure Fund II LP, sold its interest in Latin America Power Holding B.V. to BTGPH Corp Hedge Fund for US\$60,454 (equivalent to R\$190,810 at the time of the transaction), via transfer of shares at carrying amount with no gains or losses recorded.

On June 30, 2016, the Company, through its subsidiary BTG Equity Investments LLC, sold its interest in ADS - Advanced Disposal Service to BTGPH Corp Hedge Fund owned by BTG Pactual International Portfolio Fund II SPC for US\$94,347 (equivalent to R\$302,835 at the time of the transaction), via transfer of shares at carrying amount with no gains or losses recorded.

On April 12, 2016, BTGI together with BTG Pactual Principal Investments FIP, entered into a series of agreements through which they committed to dispose of 100% of their shares in União de Lojas Leader S.A. ("Leader"). By the time these financial statements were issued, BTGI, through one of its subsidiary, among other commitments, had loans in the amount of R\$600 million, subsequent to the acquisition of a portion of Leader's liabilities in the process of restructuring its debts. The sale price of the shares corresponds to a symbolic value and the Company will be entitled to receivables deriving from Leader's future results. The sale of Leader was concluded on July 28, 2016.

On March 21, 2016, A.Z.P.S.P.E. Empreendimentos e Participações S.A., BTGI's subsidiary, entered into a share purchase and sale agreement with Gaia Ambiental Empreendimentos S.A, in which it committed to dispose of 100% of its shares in CDR Pedreira, for the amount of approximately R\$258 million, at carrying amount with no gains or losses recorded.

On April 6, 2017, BTGI entered into an agreement where it committed to dispose of, for a symbolic amount, 99.99% of its interest in Brasil Pharma S.A. Subsequently, also at the same date, Brasil Pharma S.A. issued debentures, non-convertible into shares, in the amount of R\$400,000. Among other terms and conditions described in the agreement of issuance of debentures, the debenture holders will be entitled to a portion of the future results of the company. The effective conclusion of the transaction is contingent upon certain precedent conditions, including obtaining the necessary regulatory approvals.

## **2. Presentation of financial statements**

The Company's financial statements were prepared and are being presented in accordance with the International Accounting Standard (IAS 34) – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

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which the company operates ("functional currency"). The Company's functional currency is the U.S. Dollar, since the majority of the Company's business transactions are in the mentioned currency. The subsidiaries functional currency generally corresponds to the currency from its country.

These interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2016.

#### **a. Early Adoption of IFRS 9 – Financial Instruments**

The Company decided to early adopt, and with prospective effects, IFRS 9 – Financial Instruments with the date of initial application of January 1, 2016 in order to reduce the complexity of its financial statements, volatility in the income statement of the gains and losses in fair value of its financial assets, and to anticipate a change that will be mandatory as of January 1, 2018. IFRS 9 determines new requirements for classifying and measuring financial assets and financial liabilities, for the credit risk impairment methodology for financial assets, and for the hedge accounting treatment.

Subsequently to the IFRS 9 early adoption without electing fair value option nor hedge accounting, the Company classified prospectively its financial assets as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) with or without recycling, or at amortized cost. The main characteristics of IFRS 9 are further described in the main accounting practices.

#### **b. Application and significant judgments**

The preparation of the condensed interim financial statements in accordance with IFRS requires Management to make estimates and assumptions that may affect the reported balances of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. Their judgments are particularly relevant in the determination of fair values of financial assets and liabilities, allowances for loan losses and other receivables, impairment of non-financial assets, realization of deferred income taxes, assets and liabilities and the assessment of the need for provisions for contingent liabilities. Estimates are based on historical experience and various other factors that Management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 3, specifically regarding the classification of financial assets, the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

#### **c. Revised IFRS pronouncements**

The following standards have been adopted as of and for the semester ended June 30, 2017:

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### **Notes to the interim condensed financial statements**

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(In thousands of reais)

#### **• Annual improvements**

The “Annual Improvements to IFRSs” for the 2012-14 annual improvement cycles were issued September 25, 2014 and their adoption is required from January 1, 2016.

The Company assessed the possible effects and concluded that it had no material impact on its financial statements.

#### **• IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

“Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” amends IFRS 10 and IAS 28, to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IFRS 15 – “Revenue from Contracts with Customers” – The pronouncement replaces IAS 18 and IAS 11, as well as interpretations related thereto (IFRICs 13, 15 and 18). It requires that revenue is recognized in a way that shows the transfer of assets or services to the client for an amount that reflects the company's expectation of having in consideration the rights to these assets or services. This standard is effective for annual periods beginning on January 1, 2018. No material impacts arising from the adoption of this standard were identified.

IFRS 16 – “Leases” – The pronouncement replaces IAS 17 - Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model, that consists of: (a) recognizing leases which terms exceeds 12 months and with substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in the result. For the lessor, accounting will continue to be segregated between operating and financial lease. This standard is effective for annual periods beginning on January 1, 2019. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

The financial statements were approved by the Management on August 14, 2017 and they contain a true and fair view of the financial position and results of the Company.

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

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(In thousands of reais)

## **3. Main accounting practices**

### **a. Financial instruments**

This section described the accounting practices adopted as a result of the early adoption of IFRS 9.

#### **Recognition date**

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets or liabilities that require delivery of the asset at a specified time established by regulation or market standard.

#### **Initial recognition of financial instruments**

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. Subsequently to the IFRS 9 early adoption without electing fair value option, the Company classified its financial assets as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) with or without recycling or at amortized cost.

#### **Derivatives financial instruments**

Derivative financial instruments are recorded at fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

#### **Financial assets and liabilities held for trading**

Financial assets or liabilities held for trading are recorded in the balance sheet at fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in "Gains (losses) on financial instruments held for trading".

Included in this classification are: debt instruments, equities and short sale that have been acquired specifically for the purpose of short term trading or repurchase.

#### **Financial assets and liabilities designated at fair value through profit and loss**

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit or loss on initial recognition is only possible when the following criteria is observed and the designation of each instrument is individually determined:

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- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or
- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or
- The financial instrument contains one (or more) embedded derivative(s), which significantly modifies the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in "Net gain on financial assets or liabilities designated at fair value through profit and loss".

#### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income includes equities and debt instruments:

##### **Equity Instruments**

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading, nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. If it makes such election, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognized in profit or loss, with all other gains and losses (including those related to foreign exchange) recognized in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. After derecognition of the investment, the Company may transfer the cumulative gain or loss retained in other comprehensive income to retained earnings.

##### **Debt Instruments**

Debt instruments can be recognized under this category if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the debt instrument, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Gain (losses) on fair value through other comprehensive income".



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#### **Financial assets measured at amortized cost**

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets are measured at amortized cost using the effective interest rate method.

Although the Company is not expected to sell a financial asset measured under this category, as it is expected to hold it to maturity to collect contractual cash flows, the Company need not hold all of those instruments until maturity and sales may occur.

#### **Financial liabilities at amortized cost**

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

#### **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

#### **Impairment of financial assets**

Under IFRS 9, at initial recognition of a debt instrument, the Company needs to project its expected credit losses for the next 12 months and recognize it as an allowance for credit losses, even though no losses have yet occurred. This is a change of concept to an expected loss model, rather than an incurred loss model that was effective under IAS 39.

If the Company is expecting a significant deterioration in the credit quality of its counterparty, it should recognize an allowance equivalent to the lifetime expected credit losses of the instrument, rather than only the 12 month expected credit losses.

#### **Measurement**

Expected credit losses are a probability-weighted estimate of credit losses. They are measured as follows:

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- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

If the assets are no longer performing (a credit event), despite considering the expected credit losses for the lifetime of the instrument, the Company should also recognize interest revenue based on the net carrying amount, which means that the allowance should be accounted for on interest recognition.

The main evidence of deterioration of the credit quality of the counterparty are:

- the significant decline in the fair value of any security for a prolonged year;
- noncompliance with contract terms for delay of principal or interest;
- deterioration in ability to pay and operational performance;
- breach of covenants;
- significant change in the performance of the counterparty market;
- reduced liquidity of the asset due to financial difficulties the lender.

For impairment losses related to debt instruments through other comprehensive income, such losses will be recognized on the consolidated statements of income against other comprehensive income in an account called "accumulated impairment amount". However, if in a subsequent year occur an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and losses.

The Company is required to reduce the gross carrying amount of its financial instruments when there is no reasonable expectation of recovering the contractual cash flows on the financial assets on its entirety or a portion thereof.

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#### b. Subsidiaries

The table below presents the direct and indirect interest of the Company in its subsidiaries that have been consolidated in the financial statement up to the change in status to the investment entity:

	Country	Equity interest - %	
		6/30/2017	12/31/2016
<b>Direct</b>			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
<b>Indirect</b>			
BTG Investments LP	Bermuda	28.02	29.28

Below is the ownership interest held by BTGI in its subsidiaries and investment funds:

	Country	Equity interest - %	
		6/30/2017	12/31/2016
<b>Subsidiaries</b>			
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTG Pactual Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	UK	100.00	100.00
Hárpia Omega Participações S.A.	Brazil	100.00	100.00
BTG Pactual Servicios S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Swiss Services S.A.	Switzerland	100.00	100.00
Aigues de Catalunya Ltd.	UK	-	98.00
BTG Pactual Iberian Concessions Ltd.	UK	-	100.00
BTG Pactual Prop Feeder (1) S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Investimentos Florestais S.A.	Brazil	83.52	85.86
BRPEC Agro Pecuária S.A.	Brazil	100.00	100.00
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
A.Z.A.S.P.E Empreendimentos e Participações S.A.	Brazil	70.00	70.00
A.Z.P.S.P.E Empreendimentos e Participações S.A. (i)	Brazil	-	100.00
Timber XI SPE S.A. (ii)	Brazil	22.27	22.90
Timber IX Participações S.A. (ii)	Brazil	22.27	22.90
São Lourenço Empreendimentos Florestais Ltda. (ii)	Brazil	21.77	22.38
Fazenda Corisco Participações S.A. (ii)	Brazil	21.77	22.38
BTG Pactual Santa Terezinha Holding S.A. (ii)	Brazil	20.96	21.55
SCFlor Empreendimentos Agrícolas Ltda.	Brazil	-	22.38
Fazenda Santa Terezinha Participações S.A. (ii)	Brazil	20.96	21.55
BTGI Quartzo Participações S.A	Brazil	100.00	100.00
BTGI Safira Participações S.A	Brazil	100.00	100.00
<b>Investment funds</b>		100.00	
Beira Rio Fundo de Investimento em Participações	Brazil	100.00	100.00
Bravo Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Brazil Investment Fund I LP	Cayman	100.00	100.00
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00
Turquesa Fundo de Investimento em Participação	Brazil	100.00	100.00
FII - FII Estoque Residencial Vitacon	Brazil	100.00	100.00

- (i) During the year ended on December 31, 2016, the remaining interest was transferred from FIP Iron (BTGI's structure) to Turquesa Fundo de Investimento em Participação.
- (ii) The investee equity is divided into ordinary and preferred shares. The Company has the majority of the ordinary shares and voting rights.

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As described in Note 1, as from December 29, 2010, the Company became the general partner of BTGI with powers to control BTGI's financial and operating policies through the interest held in that Company.

As mentioned in Note 1, due to shares repurchase occurred in the ended June 30, 2017 and December 31, 2016, the Company holds 28.02% of equity interest in BTGI (December 31, 2016 – 29.28%).

## **4. Risk management**

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees/areas allows engaging the whole organization and ensuring decisions are readily implemented.

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

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees/areas (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees/areas consist of senior members of business units and senior members of control departments that are independent of businesses.

### **a. Market risk**

Value at Risk (VaR) is the potential loss of value of the trading positions due to adverse movements in the market during a defined year within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Company's positions at market risk. The Company uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets,

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not using Greek approximations and standard distributions. VaR may be measured in accordance with different years, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one-day year, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 year, 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 year 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 Company uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains daily average VaR for the periods ended:

	June 30, 2017	December 31, 2016	June 30, 2016
In millions of R\$			
Daily average VaR	0.8	0.7	0.6

The Company used to and continue to measure and evaluate the performance of substantially its entire investments entity portfolio on a fair value basis and therefore there was no significant change in the risk management framework. Further, it has not been possible to present detailed market risk information relating to Global Markets Investment within its investment entity portfolio. For this matter, the Company's management rely on VaR provided by its manager, which is BTG Pactual.

### b. Credit risk

The following table shows the maximum exposure of the investment entity portfolio by geographic region:

	6/30/2017			
	Brazil	United States	Others	Total
Assets				
Cash and cash equivalents	30,278	-	-	30,278
Investment entity portfolio (i)	1,973,127	-	47,309	2,020,436
Investments at fair value through other comprehensive income	51,001	1,674	(19,463)	33,212
Loans and receivables	18,590	482,721	468	501,779
Other assets	1,514	-	-	1,514
Liabilities (ii)	-	-	(2,260,378)	(2,260,378)
<b>Total</b>	<b>2,074,510</b>	<b>484,395</b>	<b>(2,232,064)</b>	<b>326,841</b>

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	12/31/2016			
	Brazil	United States	Others	Total
Assets				
Cash and cash equivalents	107	-	-	107
Assets				
Cash and cash equivalents	2,269	-	-	2,269
Investment entity portfolio (i)	2,303,381	-	193,865	2,497,246
Investments at fair value through other comprehensive income	66,380	1,922	(17,875)	50,427
Loans and receivables	18,766	626,980	485	646,231
Other assets	2,643	-	-	2,643
Liabilities (ii)	-	-	(2,476,289)	(2,476,289)
<b>Total</b>	<b>2,393,546</b>	<b>628,902</b>	<b>(2,299,814)</b>	<b>722,634</b>

(i) The amount of R\$47,309 (2016 – R\$193,865) being presented as Others mainly relates to ARF II, Fund based in the Cayman Islands with global market investments strategy, as described in Note 6ii.

(ii) Includes financial liabilities contracted into by BTGI (BTGP is not a counterparty of such contracts).

The table below states the maximum exposures to credit risk of the investment entity portfolio, classified by the counterparties' economic activities:

	6/30/2017				
	Private institutions	Companies	Individuals	Others	Total
Assets					
Cash and cash equivalents	30,278	-	-	-	30,278
Investment entity portfolio	1,936,723	584,338	-	(500,625)	2,020,436
Investments at fair value through other comprehensive income	-	52,674	-	(19,462)	33,212
Loans and receivables	-	19,057	482,722	-	501,779
Other assets	-	-	-	1,514	1,514
Liabilities (i)	-	-	-	(2,260,378)	(2,260,378)
<b>Total</b>	<b>1,967,001</b>	<b>656,069</b>	<b>482,722</b>	<b>(2,778,951)</b>	<b>326,841</b>

  

	12/31/16				
	Private institutions	Companies	Individuals	Others	Total
Assets					
Cash and cash equivalents	107	-	-	-	107
Assets					
Cash and cash equivalents	2,269	-	-	-	2,269
Investment entity portfolio	2,198,778	642,276	-	(343,808)	2,497,246
Investments at fair value through other comprehensive income	-	68,302	-	(17,875)	50,427
Loans and receivables	-	19,250	626,981	-	646,231
Other assets	-	-	-	2,643	2,643
Liabilities (i)	-	-	-	(2,476,289)	(2,476,289)
<b>Total</b>	<b>2,201,154</b>	<b>729,828</b>	<b>626,981</b>	<b>(2,835,329)</b>	<b>722,634</b>

(i) Includes financial liabilities entered into by BTGI (BTGP is not a counterparty of such contracts)

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#### c. Liquidity analysis and risk

As of December 31, 2016, the Company has R\$107 in cash and cash equivalents, which has no maturity, and does not have any liabilities.

As of June 30, 2017, and December 31, 2016, there is no fixed maturity for the discounted cash flows for the investment entity portfolio of the Company. The following table shows the Investment entity portfolio's liquidity position as of June 30, 2017 and December 31, 2016:

	6/30/2017				
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash and cash equivalents	30,278	-	-	-	30,278
Investment entity portfolio	1,455,082	-	-	565,354	2,020,436
Investments at fair value through other comprehensive income	-	-	-	33,212	33,212
Loans and receivables	-	14,612	1,558	485,609	501,779
Other assets	-	1,514	-	-	1,514
Liabilities (i)	(116,024)	(1,930,851)	(3,660)	(209,843)	(2,260,378)
<b>Total</b>	<b>1,369,336</b>	<b>(1,914,725)</b>	<b>(2,102)</b>	<b>874,332</b>	<b>326,841</b>

	12/31/2016				
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Investment entity portfolio	107	-	-	-	107
Assets					
Cash and cash equivalents	2,269	-	-	-	2,269
Investment entity portfolio	1,694,209	-	-	803,037	2,497,246
Investments at fair value through other comprehensive income	-	-	-	50,427	50,427
Loans and receivables	-	14,335	1,272	630,624	646,231
Other assets	-	2,643	-	-	2,643
Liabilities (i)	(1,741,996)	(39,270)	(490,679)	(204,344)	(2,476,289)
<b>Total</b>	<b>(45,411)</b>	<b>(22,292)</b>	<b>(489,407)</b>	<b>1,279,744</b>	<b>722,634</b>

(i) Includes financial liabilities entered into by BTGI (BTGP is not a counterparty of such contracts).

## 5. Investment entity portfolio

As of June 30, 2017, the investment entity portfolio measured at fair value through profit and loss is represented by the interest in BTG Holdco, a holding entity, in the amount of R\$323,295 (December 31, 2016 - R\$722,527).

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On January 1, 2016, BTGI adopted IFRS 9, with prospective effects from that date onwards. For this matter, the figures disclosed below include impacts from the early adoption, as described in its financial statements.

The relevant figures of the Company's investment portfolio, as of June 30, 2017 and December 31, 2016, are presented below:

	Note	6/30/2017 (1)	12/31/2016 (1)
<b>Assets</b>			
Cash and cash equivalents	(a)	108,062	7,747
Investment entity portfolio	(b)	7,210,920	8,527,913
Investments at fair value through other comprehensive income	(c)	118,531	172,204
Loans and receivables	(d)	1,790,843	2,206,832
Other assets		5,405	9,024
<b>Total</b>		<b>9,233,761</b>	<b>10,923,720</b>
<b>Liabilities</b>			
Derivatives		222	3,658
Financial liabilities at amortized cost	(e)	8,156,154	8,401,685
Other liabilities		9,723	61,128
<b>Total</b>		<b>8,166,099</b>	<b>8,466,471</b>
<b>Shareholders' equity</b>		<b>1,067,662</b>	<b>2,457,249</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,233,761</b>	<b>10,923,720</b>
Investment entity portfolio reconciliation			
BTGI shareholder's equity		1,067,662	2,457,249
BTGP ownership (via BTG Holdco)		28.02%	29.28%
<b>Subtotal</b>		<b>299,149</b>	<b>719,561</b>
Fair value adjustment (2)		24,146	2,966
<b>Total</b>		<b>323,295</b>	<b>722,527</b>

(1) Balances as reported by BTGI as of June 30, 2017 and December 31, 2016.

(2) BTGI measures certain assets and liabilities at amortized cost in its financial statements, therefore a fair value adjustment is necessary upon adoption of investment entity by BTGP.

### (a) Cash and cash equivalents

Cash and cash equivalents are comprised exclusively of highly liquid bank deposits.

### (b) Investment entity portfolio

	As of June 30, 2017		As of December 31, 2016	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments (i)	2,951,398	2,085,497	2,410,673	2,441,664
Private equity funds ("FIP")	300,507	241,513	300,507	331,498
Subsidiaries, associates and jointly controlled entities	2,650,891	1,843,984	2,110,166	2,110,166
Global markets investments (ii)	168,846	168,846	609,784	609,784
Corporate bonds (iii)	1,829,099	1,718,974	1,886,953	1,723,067
Loans (1)	5,024,329	5,024,329	5,175,817	5,175,817
Others (2)	(1,786,726)	(1,786,726)	(1,422,419)	(1,422,419)
<b>Total</b>	<b>8,186,946</b>	<b>7,210,920</b>	<b>8,660,808</b>	<b>8,527,913</b>



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- (1) Refers to loans granted by BTG Pactual Proprietary Feeder (1) Limited to BTGI. The amount is reflected as financial liabilities at amortized cost in Note 6e.  
 (2) Includes financial assets and liabilities held by BTGI's subsidiaries (BTGP is not a counterparty of such contracts).

#### (i) Merchant Banking investments

Merchant Banking investments consist of investments, held directly or through investment vehicles (including funds that also include third party investors), in a diversified group of portfolio companies primarily located in Brazil. Merchant Banking investments are structured generally through privately negotiated transactions with a view to disinvest in four to ten years.

As a result of the IFRS 9 early adoption, part of the Merchant Banking investments from the investment entity portfolio was reclassified as investments at fair value through comprehensive income as described in note 6c.

As of June 30, 2017 and December 31, 2016, BTGI Merchant Banking investments corresponds to private equity and real estate investments, through FIP or other investment vehicles, as disclosed below:

Merchant Banking investments	Description/Segment activity	6/30/2017		12/31/2016	
		(%) (1)	Fair value	(%) (1)	Fair value
Through FIPs:					
B&A Mineração S.A.	Development and operation of mining assets	87.8%	125,298	87.8%	165,893
BrPec Agropecuária S.A.	Ranching	100.0%	116,215	100.0%	165,606
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	22.9%	8,612	22.9%	8,042
Timber IX Participações S.A.	Biological assets	22.9%	59,426	22.9%	55,720
BTG Pactual Santa Terezinha Holding S.A	Biological assets	21.6%	20,802	21.6%	30,363
BTG Pactual SCFLOR & Fazenda Corisco Participações S.A	Biological assets	22.4%	28,007	23.0%	26,514
Brasil Pharma S.A. (2)	Pharmaceutical retail company	-	-	94.5%	403,912
Loans - Merchant Banking investments (3)	Others		1,727,137		1,585,614
Total			2,085,497		2,441,664

- (1) The equity interest disclosed in the table above refers to the Company indirect interest.  
 (2) During the quarter ended March 31, 2017, BTGI has measured at nil its equity investment in BR Pharma, recording a loss of approximately R\$404MM. During the year ended December 31, 2016, BTGI, through its subsidiary BTG Pactual Prop Feeder (1) S.a.r.l, undertook a capital increase of approximately R\$400,000 in Brasil Pharma S.A. The cash proceeds were used to pay back the loan that was previously shown as "Loans – Merchant Banking investments".  
 (3) Includes loans subsequent to the acquisition of a portion of Leader's liabilities, as described in Note 1, and loans granted to BR Pharma in the amount of approximately R\$837MM during the semester ended June 30, 2017. Additionally, includes the impairment balances in the amount of R\$151,952 and R\$718,078 related to the debts of BR Pharma and Leader, respectively.

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#### (ii) Global market investments

A hedge fund is an investment fund that typically undertakes a wider range of investment and asset trading than other funds, but which is only open for investment from particular types of investors specified by regulators.

These funds have hybrid portfolios composed of a mix of fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities, mortgages and interest rates. These funds usually employ a wide variety of investment strategies, and make use of techniques such as short selling and leverage.

As of June 30, 2017 and December 31, 2016, BTGI had invested in BTG Pactual Absolute Return II Master Fund LP ("ARF") in the amount of R\$168,846 (December 31, 2016: R\$609,784). The Net Asset Value ("NAV") of global markets investments approximates to its fair value, which is equivalent to its cost value on the referred date.

#### (iii) Investment in corporate bonds

Investment in corporate bonds comprises exchanged traded corporate bonds issued by Banco BTG Pactual S.A - Luxembourg Branch, maturing December 29, 2049 and by BTG Pactual S.A. – Cayman Branch, maturing on September 28, 2022.

#### (c) Investments at fair value through other comprehensive income

Subsequently to the IFRS 9 early adoption, BTGI now presents part of its investment entity portfolio as investments at fair value through other comprehensive income, as shown hereunder:

	As of June 30, 2017		As of December 31, 2016	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments - FIP (i)	240,373	187,994	240,555	233,247
Others (1)	(69,462)	(69,462)	(61,043)	(61,043)
<b>Total</b>	<b>170,911</b>	<b>118,532</b>	<b>179,512</b>	<b>172,204</b>

(1) Includes payables for management fees or loans purposes.

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#### (i) Merchant banking investments - FIP

As of June 30, 2017 and December 31, 2016, BTGI Merchant Banking investments corresponds to private equity and real estate investments, through FIP, as disclosed below:

Merchant Banking investments	Description/Segment activity	06/30/2017		12/31/2016	
		(%) (1)	Fair Value	(%) (1)	Fair Value
Through FIPs:					
UOL Universo on Line S.A.	Internet and server provider	2.2%	104,883	2.3%	99,322
Estre Participações S.A.	Waste collection, treatment and disposal	9.6%	25,870	9.7%	30,581
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	29.2%	22,282	30.1%	27,810
AlBodytech Participações S.A.	Fitness segment	10.3%	18,168	10.6%	54,528
Brasil Brokers Participações S.A.	Investment in real estate companies	4.3%	10,018	4.5%	13,643
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	14.7%	5,973	14.7%	6,563
Brasil Pharma S.A.	Pharmaceutical retail company	0.2%	800	0.2%	800
Total			187,994		233,247

(1) The equity interest disclosed in the table above refers to the Company indirect interest.

#### (d) Loans and receivables

	6/30/2017	12/31/2016
Partners (i)	1,649,239	2,119,612
Others	141,604	87,220
<b>Total</b>	<b>1,790,843</b>	<b>2,206,832</b>

(i) Loans indexed to CDI or libor, and the maturity are in general higher than 1 year. Loans to partners are provided in connection to the acquisition of shares in BTG Pactual Group. Only members acting as Executive Officers are considered related parties and for the semester ended June 30, 2017 and year ended December 31, 2016 were not counterparties to these loans.

As of June 30, 2017 and December 31, 2016, the fair value attributed to the Loans and receivables is similar to its amortized cost.

#### (e) Financial liabilities at amortized cost

	Maturity	Index	6/30/2017	
			Cost	Fair value
Loans with financial institutions	March-18 to August-20	Libor and 1.15% to 5.3% p.a.	5,773,259	5,859,902
Medium term notes	July-17 to June-19	0.8%p.a. to 100% CDI	2,382,895	2,382,425
<b>Total</b>			<b>8,156,154</b>	<b>8,242,327</b>

  

	Maturity	Index	12/31/2016	
			Cost	Fair value
Loans with financial institutions	February-16 to August-20	Libor and 1.15% to 5.3% p.a.	5,959,040	6,044,445
Medium term notes	January-16 to June-19	0.8%p.a. to 100% CDI	2,442,645	2,367,369
<b>Total</b>			<b>8,401,685</b>	<b>8,411,814</b>

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Certain issuance of the loans and medium term notes are guaranteed by BTG Pactual Holding S.A., parent company of BTG Pactual.

#### (f) Fair value Hierarchy

BTGP classifies its investment entity portfolio as level 3. However, the underlying assets and liabilities of this portfolio have different classification which is presented as follows:

##### (i) Investment entity portfolio

	6/30/2017			
	Level 1	Level 2	Level 3	Total
<b>Investment entity portfolio</b>				
Merchant Banking investments				
Private equity funds	-	-	241,513	241,513
Subsidiaries, associates and jointly controlled entities	-	1,727,137	116,847	1,843,984
Global markets investments	-	168,846	-	168,846
Corporate bonds	-	1,718,974	-	1,718,974
Loans	-	5,024,329	-	5,024,329
Others	-	(1,786,726)	-	(1,786,726)
<b>Total</b>	<b>-</b>	<b>6,852,560</b>	<b>358,360</b>	<b>7,210,920</b>

  

	12/31/2016			
	Level 1	Level 2	Level 3	Total
<b>Investment entity portfolio</b>				
Merchant Banking investments				
Private equity funds	-	-	331,498	331,498
Subsidiaries, associates and jointly controlled entities	-	1,585,614	524,552	2,116,128
Global markets investments	-	609,784	-	609,784
Corporate bonds	-	1,723,067	-	1,723,067
Loans	-	5,175,817	-	5,175,817
Others	-	(1,428,381)	-	(1,428,381)
<b>Total</b>	<b>-</b>	<b>7,665,901</b>	<b>856,050</b>	<b>8,527,913</b>

Changes in level 3 for the period ended June 30, 2017 are as follows:

	Merchant Banking investments
<b>Balances as of December 31, 2015</b>	<b>1,229,469</b>
Acquisitions	245,711
Sales	(306,754)
Losses on fair value of investment entity portfolio	(312,376)
<b>Balances as of December 31, 2016</b>	<b>856,050</b>
Acquisition	530
Losses on fair value of investment entity portfolio	(498,220)
<b>Balances as of June 30, 2017</b>	<b>358,360</b>

(i) As described in Note 5f, section vii.

## BTG Pactual Participations Ltd.

### Notes to the interim condensed financial statements

As of June 30, 2017

(In thousands of reais)

#### (ii) Investments at fair value through other comprehensive income

The summary of assets and liabilities classified in accordance with the fair value hierarchy is as follows:

	6/30/2017			
	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through other comprehensive income</b>				
Merchant Banking investments - FIP	15,991	-	172,003	187,994
Others	-	(69,462)	-	(69,462)
<b>Total</b>	<b>15,991</b>	<b>(69,462)</b>	<b>172,003</b>	<b>118,532</b>

  

	12/31/2016			
	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through other comprehensive income</b>				
Merchant Banking investments - FIP	20,205	-	213,042	233,247
Others	-	(61,043)	-	(61,043)
<b>Total</b>	<b>20,205</b>	<b>(61,043)</b>	<b>213,042</b>	<b>172,204</b>

Changes in level 3 for the period ended June 30, 2017 are as follows:

	Merchant Banking investments
<b>Balances at December 31, 2015</b>	<b>486,705</b>
Acquisitions	(41,514)
Losses on fair value of investment entity portfolio	(232,149)
<b>Balances at December 31, 2016</b>	<b>213,042</b>
Losses on fair value of investment entity portfolio	(41,040)
<b>Balances as of June 30, 2017</b>	<b>172,002</b>

#### (iii) Loans and receivables

Loans and receivables are presented at fair value at BTGP's level using a pricing model in which the relevant parameters are based on observable active market data. Therefore, they fall in the Fair Value Level 2 category.

#### (iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost are presented at fair value at BTGP's level using a pricing model in which the relevant parameters are based on observable active market data. Therefore, they fall in the Fair Value Level 2 category.

#### (v) Derivatives

Derivatives are presented at fair value at BTGP's level using pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Therefore, they were classified as a Level 3.

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of June 30, 2017

(In thousands of reais)

#### **(vi) Summary of valuation techniques**

There were no changes from the valuation techniques disclosed in the financial statements for the year ended in December 31, 2016.

#### **(vii) Reclassification between levels**

During the year ended on December 31, 2016, Brasil Pharma S.A was reclassified from Level 1 to Level 3 of the fair value hierarchy. The investment's value used to be assessed from observable market data and is now assessed according to the value resulting from the capital increase that occurred during the year ended on December 31, 2016.

During the year ended on December 31, 2016, Deep Sea Group was reclassified from Level 3 to Level 1 of the fair value hierarchy. The investment's value is now assessed according to the price of Deep Sea Supply Plc.'s shares (due to the IPO of the company), a company listed on the Norwegian Stock Exchange.

## **6. Shareholders' equity**

### **a. Capital**

BTGP's Board of Directors held on October 5, 2016 approved the conversion of 17,722,662 BTGI's class D shares into BTGP's 5,907,554 class A and 11,815,108 class B shares, resulting into a capital increase of R\$15,940. In the meantime, 5,907,554 BTGP's class D shares were canceled. After the conversions, BTGP, through BTG Holdco, subscribed to 17,722,662 newly issued BTGI's class C shares.

BTGP's Board of Directors, held on September 29, 2016, approved the issuance of 46,200,273 Class A Shares and 92,400,546 Class B Shares, for R\$124,434, fully subscribed by Banco BTG Pactual S.A. The new issuance of shares is a consequence of the separation of the Bank's commodity trading, as described in Note 1.

BTGP's Board of Directors held on June 1, 2016 approved the conversion of 45,873,921 BTGI's class D shares into BTGP's 15,291,307 class A and 30,582,614 class B shares, resulting into a capital increase of R\$35,548. In the meantime, 15,291,307 BTGP's class D shares were canceled. After the conversions, BTGP, through BTG Holdco, subscribed to 45,873,921 newly issued BTGI's class C shares.

As of June 30, 2017 and December 31, 2016, the Company's capital was comprised by the following class of shares:

## BTG Pactual Participations Ltd.

### Notes to the interim condensed financial statements

As of June 30, 2017

(In thousands of reais)

	6/30/2017				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	259,531,855	-	Yes	1
Class B (i)	10,000,000,000	519,063,710	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
<b>Total</b>	<b>16,000,000,001</b>	<b>778,595,566</b>			

	12/31/2016				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	269,481,035	-	Yes	1
Class B (i)	10,000,000,000	538,962,070	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
<b>Total</b>	<b>16,000,000,001</b>	<b>808,443,106</b>			

(\*) Class C shareholders have voting rights equivalent to ten times the total number of issued and subscribed A and D Class shares at any moment.

(i) Only class A and class B shareholders are entitled to economic benefits.

#### b. Treasury shares

During the year ended December 31, 2016, the Bank accomplished the buyback units cancellation, due to approved program, in the amount of R\$70,834, equivalent to 5,896,900 untis.

During semester ended in 30 June, 2017, the Company approved the repurchase of 1,220,000 class A shares and 2,440,000 class B shares in the total amount of R\$ 3,546. The repurchase was made with funds that will be obtained from BTG Investments LP, and in consequence of this financing, the Company had its percentage of ownership interest in the investee (BTG Investments LP) diluted by approximately 0.58%.

#### c. Dividends

The Company did not distribute dividends for the period ended on June 30, 2017 and December 31, 2016.

## BTG Pactual Participations Ltd.

### Notes to the interim condensed financial statements

As of June 30, 2017

(In thousands of reais)

## 7. Loss per share

	Quarters ended on:		Semesters ended on:	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Loss attributed to controlling shareholders	(304,831)	12,619	(372,800)	(9,150)
Weighted average per thousand shares outstanding during the year (i)	776,940	650,676	787,768	669,975
<b>Earning / (loss) per share – Basic and Diluted (in Reais)</b>	<b>(0.39)</b>	<b>0.02</b>	<b>(0.47)</b>	<b>(0.01)</b>

(i) Class A and class B shares.

## 8. Gains / (loss) from investment entity portfolio measured at fair value

The breakdown of this item for the periods ended June 30, 2017 and 2016 is as follows:

	Quarters ended on:		Semesters ended on:	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Investment entity portfolio	(325,747)	67,793	(392,607)	127,932
Fair value adjustment on loans issued and granted	20,916	(54,861)	19,912	(137,593)
<b>Total</b>	<b>(304,831)</b>	<b>12,932</b>	<b>372,695</b>	<b>(9,661)</b>

## 9. Other operating income / (expenses)

	Quarters ended on:		Semesters ended on:	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Other operating (expenses) / income (i)	-	(229)	-	778
<b>Total</b>	<b>-</b>	<b>(229)</b>	<b>-</b>	<b>778</b>

(i) Mainly comprised of foreign exchange on cash transactions during the periods ended June 30, 2017 and 2016.

## 10. Administrative expenses

	Quarters ended on:		Semesters ended on:	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Professional fees	-	(84)	(105)	(267)
<b>Total</b>	<b>-</b>	<b>(84)</b>	<b>(105)</b>	<b>(267)</b>

## 11. Related Parties

As of June 30, 2017, the Company has no transaction with related parties. On December 31, 2016, BTGP presented R\$107 in cash and cash equivalents with Banco BTG Pactual S.A. The balances of related-party transactions are carried out at arm's length.

No management compensation was recorded during the period ended June 30, 2017 and the year December 31, 2016.



## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of June 30, 2017

(In thousands of reais)

## **12. Subsequent events**

### **Auditor change**

In August, 2017, the Company has hired Baker Tilly 4Partners Auditores Independentes S.S. for the provision of independent auditing services concerning the financial statements of the Company, as of the interim financial statements regarding the second quarter of 2017. Such appointments arises from the compliance with ICVM308/99, as a result of the mandatory replacement of independent auditors.

### **Change of corporate name**

In August, 2017, the Company's Board of Directors changed the corporate name of BTGP to PPLA Participations Ltd., in order to mitigate investor confusion regarding the BPAC11 units and BBTG12 units.

### **Reverse Stock Split**

In August, 2017, the reverse stock split of Class A shares and Class B shares issued by the Company, as approved by the Company's Board of Directors' Meeting, held on August 4, 2017 (the "Shareholders' Meeting") was ratified. Starting from the next trading day following the Shareholders' Meeting, the units and the BDRs will be traded under new ticker symbols, already reflecting the new proportions provided for pursuant to the Reverse Stock Split.

The BBTG12 unit holders holding BBTG12 units that are not a multiple of nine (9) such units will have until the Reverse Stock Split Date to acquire or dispose of BBTG12 units in order to remain holders of an amount able to avoid the incidence of a fraction of such asset. Any fractions of BBTG12 units resulting from the Reverse Stock Split and not adjusted by their respective holders will be identified in whole numbers and sold at an auction to be carried out at the B3, and the amounts resulting from such sale will be made available in the name of the respective holder following the final settlement of such sale.

After the Reverse Stock Split, (i) the current 259,531,855 Class A shares will correspond to 28,836,873 Class A shares; (ii) the current 519,063,710 Class B shares will correspond to 57,673,746 Class B shares; and (iii) the current 259,531,855 BBTG12 units will correspond to 28,836,873 BBTG12 units. The composition of each BBTG12 unit will remain the same, it being one Class A BDR (representing one Class A share) and two Class B BDRs (each representing one Class B share).