Financial Statements

PPLA Participations Ltd. (previously denominated BTG Participations Ltd.)

December 31, 2017
with independent auditor's review report

PPLA Participations Ltd.

Financial statements

As of December 31, 2017

Content

Independent auditor's review report 1
Balance sheets 5
Statements of income 6
Statements of comprehensive income 7
Statement of changes in shareholders' equity 8
Statements of cash flows 9
Notes to the financial statements 10

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders and Management of

PPLA Participations Ltd. (previously denominated BTG Participations Ltd.)

Opinion on financial statements

We have audited the financial statements of PPLA Participations Ltd. (previously denominated BTG Participations Ltd.) (Company), which comprise the balance sheet as of December 31, 2017, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB.

Basis for opinion on financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements"* section of our report. We are independent of the Company in accordance with the relevant ethical principles of the Code of Professional Ethics of Accountant and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is suficiente and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of complex and illiquid financial instruments and derivatives

The Company has complex and illiquid financial instruments in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires management to use pricing models and assumptions, such as expected cash flow, risk free rate, credit risk spread, among other inputs. Due to the nature of these instruments and the complexity and subjectivity involved in the valuation methodologies, we considered the measurement of these complex and illiquid financial instruments as one of the main audit matters.

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How our audit conducted this matter

Our audit procedures included, among others, the review of the work of specialists involved in complex and illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments.

Based on the evidence obtained from the procedures performed on these complex and illiquid financial instruments and derivatives, which were consistent with management evaluation, we considered that the criteria and assumptions adopted by management on the fair value measurement of these complex and illiquid financial instruments and derivatives were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnotes nº 5 to the financial statements of the Company.

Related party transactions

The Company is part of an organizational structure with several legal entities, in Brazil and abroad, and it carries out, within its operations, transactions with these related parties. Due to the number of related parties, and the volume and the inherent risk associated to these transactions, we considered related parties transactions to be one of the main audit matters.

How our audit conducted this matter

Our audit procedures included, among others, the understanding of the Company's policies and procedures for identifying and mapping transactions with related parties, as well as obtaining formal representation by management with respect of the identification of all related parties with the Company. Additionally, we audited, on a sampled basis, the transactions with related parties and the respective eliminations, when applicable, in the financial statements.

Based on the evidence obtained from the procedures performed on related party transactions, which were consistent with management evaluation, we considered that management policies and criteria in identifying and recognizing these transactions were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote nº 11 to the financial statements of the Company.

Other issues

Other information accompanying the financial statements and the auditor's report

Company's management is responsible for such other information, which includes the Management Report. Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.
In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, to consider whether this report is materially

inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise whether this report appears to be materially misstated. If based on our work we conclude that there is material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this matter.

Audit of the previous year's amounts

The amounts related to the year ended December 31, 2016, presented for comparison purposes, were previously audited by other independent auditors, who reports thereon, dated February 14, 2017, had no modification.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process, and includes Management, Audit Committee and Board of Directors of the Company.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may envolve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.
Based on the matters that were communicated to those in charge of governance, we determine those that were considered most significant in the audit of the financial statements for the current year and, therefore, that represent the significant audit issues.
We describe these matters in our audit report, unless the law or regulation has forbidden public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be included in our report because the adverse consequences from such disclosure may, within a reasonable perspective, overcome the benefits from communication to the public interest.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 06, 2018.

Baker Tilly 4Partners Auditores Independentes S.S.
CRC 2SP-031.269/O-1

Fábio Rodrigo Murato
Contador CRC 1SP-212.827/O-0

Membro independente da Baker Tilly International

PPLA Participations Ltd.

Balance sheets
As of December 31, 2017 and 2016
(In thousands of reais)

Assets	**Note**	**12/31/2017**	**12/31/2016**
Cash and cash equivalents		-	107
Investment entity portfolio	5	159,698	722,527
Total assets		**159,698**	**722,634**
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		417,388	418,648
Accumulated losses		(1,759,538)	(1,182,825)
Total shareholders' equity		**159,698**	**722,634**
Total liabilities and shareholders' equity		**159,698**	**722,634**

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

PPLA Participations Ltd.

Statements of income

Years ended December 31, 2017 and 2016
(In thousands of reais, except for loss per share)

	Note	12/31/2017	12/31/2016
Gain / (loss) on investment entity portfolio measured at fair value	8	(531,952)	108,287
Other operating income / (expenses)	9	-	239
Operating income / (loss)		**(531,952)**	**108,526**
Administrative expenses	10	(105)	(182)
Other income		(1)	-
Income / (loss) for the year		**(532,058)**	**108,344**
Gain / (loss) attributed to:			
Controlling shareholders		(532,058)	108,344
Earning / (loss) per share (basic and diluted - R$)	7	(1.29)	0.16

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

PPLA Participations Ltd.

Statements of comprehensive income
Years ended December 31, 2017 and 2016
(In thousands of reais)

	12/31/2017	12/31/2016
Gain / (loss) for the year	(532,058)	108,344
Other comprehensive loss not to be reclassified to profit or loss:		
Currency translation adjustments	(1,261)	(177,745)
Total comprehensive gain / (loss) for the year	**(533,319)**	**(69,401)**
Total comprehensive gain / (loss) attributed to:		
Controlling shareholders	(533,319)	(69,401)

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

PPLA Participations Ltd.

Statement of changes in shareholders' equity
Years ended December 31, 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
Balance as of December 31, 2015		**1,328,880**	**600,930**	**(32,665)**	**(1,173,856)**	**723,289**
Capital increase	6	175,922	-	-	-	**175,922**
Repurchase of shares / (sale) of treasury shares	1, 6	-	-	(107,176)	-	**(107,176)**
Cancelation of treasury shares	1, 6b	-	-	117,314	(117,314)	**-**
Net income of the year		-	-	-	108,344	**108,344**
Currency translation adjustments		-	(182,281)	4,536	-	**(177,745)**
Balance as of December 31, 2016		**1,504,802**	**418,649**	**(17,991)**	**(1,182,826)**	**722,634**
Repurchase of treasury shares	1, 6	-	-	(29,617)	-	**(29,617)**
Cancelation of treasury shares	1, 6b	-	-	44,654	(44,654)	**-**
Net loss of the year		-	-	-	(532,058)	**(532,058)**
Currency translation adjustments		-	(1,261)	-	-	**(1,261)**
Balance as of December 31, 2017		**1,504,802**	**417,388**	**(2,954)**	**(1,759,538)**	**159,698**

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

PPLA Participations Ltd.

Statements of cash flows

Years ended December 31, 2017 and 2016
(In thousands of reais)

	12/31/2017	(Restated) 12/31/2016
Operating activities		
Gain / (loss) for the year	(532,058)	108,344
Adjustments to the income / (loss) for the year		
(Gains) / losses from investment entity portfolio measured at fair value	531,952	(108,287)
Adjusted loss for the year	(106)	57
(Increase)/decrease in operating assets, net		
Investment entity portfolio	29,616	(16,668)
Due to brokers	-	(540)
Cash provided by / (used in) operating activities	29,510	(17,151)
Financing activities		
Capital increase	-	124,434
Repurchase of treasury shares	(29,617)	(107,176)
Cash provided by / (used in) by financing activities	(29,617)	17,258
Increase / (decrease) in cash and cash equivalents	**(107)**	**107**
Balance of cash and cash equivalents		
At the beginning of the year	107	-
At the end of the year	-	107
Increase / (decrease) in cash and cash equivalents	**(107)**	**107**

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

1. Operations

PPLA Participations Ltd. ("PPLA Participations" or "Company") was constituted 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 constitution of the Company. PPLA Participations 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.

In August, 2017, the Company's Board of Directors changed the corporate name of BTG Participations Ltd. to PPLA Participations Ltd., in order to clarifying the investors' understanding of the BPAC11 units and BBTG12 units (PPLA Participacions, currently PPLA11) in the context of the segregation held on August 21, 2017.

PPLA Participations (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 class A shares and 2 class B shares of PPLA 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 PPLA Investments LP. ("PPLA Investments"), previously denominated BTG Investments LP. As a consequence of this transaction, the Company obtained the right to control the financial and operating policies of PPLA Investments LP.

PPLA Investments LP. 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 PPLA Investments' 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 of Banco BTG Pactual S.A. ("Bank" or BTG Pactual"), 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 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 December 31, 2017, 2,070,600 (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 PPLA Participations Ltd.

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 PPLA Participations, during the year ended December 31, 2016, as described in note 6.

Acquisitions and sales

On December 31, 2017 due to the financial situation of Brasil Pharma S.A ("BR Pharma") and recent request for judicial recovery carried out by the entity, an additional impairment was established in the credits held with this company in the amount of R$ 453 million. The Company's Management continues to monitor the restructuring process of BR Pharma, the likelihood of success and operational continuity, and the consequent ability to receive the activated amounts.

On December 31, 2016, BTGI Investimentos Florestais S.A., one of PPLA Investments' 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 September 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, PPLA Investments 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, PPLA Investments, 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., PPLA Investments' 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.

2. Presentation of financial statements

The Company's financial statements were prepared and are being presented in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board (IASB).

The accounting policies set out in Note 3 have been applied consistently to all years presented in these financial statements except for the application of the International Financial Reporting Standard ("IFRS") 10 Consolidated Financial Statements – Investment Entities (Amendment), described in the financial statements for the year ended on December 31, 2015, and the effects of the early adoption of IFRS 9 – Financial Instruments, described below.

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 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 year ended December 31, 2017:

• 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. As set out in the scope definition of IFRS 15, the standard does not apply to financial instruments, other rights and obligations within the scope of IFRS 9 (Financial Instruments), in addition to IFRS 10 (Consolidated Financial Statements). Accordingly, as IFRS 9 and 10 were adopted by PPLA Investments during the years ended during 2015 and 2016, no impacts are expected from the adoption of the standard on the date of the financial statements for the year ended December 31, 2017.

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.

d. Restatement of statements of cash flows

Due to the improvements identified on the statement of cash flow for the year ended December 31, 2016, the "Translation adjustments" was reclassified in the amount of R$177,745 thousand, previously presented in the group "Adjusted gain / (loss) for the year ", to "Investment entity portfolio" included in the group "Increase / (decrease) in operating assets", both of them included in the Operating Activities of the Company.

The financial statements were approved by the Management on March 06, 2018 and they contain a true and fair view of the financial position and results of the Company.

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. These estimates are based on historical experience and various other factors that Management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the subsidiaries of the Company are measured using the currency of the primary economic environment in 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.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. Dollars are converted into U.S. Dollar using exchange rates closing at the end of each year. The non-monetary assets and liabilities are translated using the historical rate date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in "translation adjustments" in the statement of comprehensive income.

Presentation currency

These financial statements are presented using the Brazilian Real ("Real" or "reais" or "R$") , the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Brazilian Federal Securities Commission ("CVM"), the Brazilian regulatory body.

The conversion of U.S. Dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – ("The effects of changes in exchange rates"), and is summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average exchange rate.

- For assets and liabilities for each balance which IAS 21 does not establish a methodology for translation, the Company elected to translate balances using the closing rate of each balance sheet, and other movements in shareholders' equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows. For the remaining transactions, the Company used the historical rate. All resulting translation differences are recognized directly in "translation adjustments" in the statement of other comprehensive income.

All resulting translation differences are recognized directly in "translation adjustments" in the statement of other comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method. The interest on financial instruments held for trading are recorded in “Gain (losses) on financial instruments held for trading”.

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded as “Gain (losses) on financial instruments held for trading”, and dividends received on financial assets as available for sale are classified as “Gain (losses) on financial assets available for sale”.

e. 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 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:

- 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".

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 period 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:

- 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 Company 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 Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company 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 period;

- 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 statements of income against other comprehensive income in an account called “accumulated impairment amount”. However, if in a subsequent period 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.

f. Valuation of Investment entity portfolio

Investment entity portfolio is held at fair value with movements in fair value going through the profit and loss account. The investments held by BTG Holdco (through BTGI) are defined as underlying investments. These underlying investments correspond substantially to an investment in global markets and merchant banking investments which are generally made directly or through ownership in limited partnership funds. The merchant banking investments are comprised of equity ownerships, loans and convertible instruments which most of the risk and return are dependent on the fair value and characteristics of underlying equity. The Company may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act.

Investment entity portfolio are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same instrument;

Level 2: Price quotations observed in active markets for instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data;

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Company determines a reasonable level for the input. The valuation models are developed internally and are reviewed by the pricing team, which is independent from the revenue generating areas, they are updated whenever there is evidence of events that could have affected the assets' pricing. Investment entity portfolio primarily includes certain limited partnership interests in private equity funds mainly derived from our merchant banking activities and OTC derivatives which valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of an investment entity portfolio valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions		
Asset	**Valuation technique**	**Main assumptions**
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Derivatives	Standard models and non-bidding quoted prices	Probability of default and recovery rates.

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

g. Financial instruments – Offsetting

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

h. Due from / to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company. After initial measurement, due from/to brokers are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

j. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal are made pursuant to the criteria described below.

Contingent assets - not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and Management, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for nor disclosed.

k. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the Extraordinary / Ordinary General Meeting.

l. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of an investment entity and so no segment information is disclosed.

m. Investees

The table below presents the direct and indirect interest of the Company in its investees:

		Equity interest - %	
	Country	12/31/2017	12/31/2016
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
PPLA Investments LP.	Bermuda	28.02	29.28

PPLA Participations Ltd.

Notes to the financial statements
As of December 31, 2017
(In thousands of reais)

Below is the ownership interest held by PPLA Investments in its investees and investment funds:

		Equity interest - %	
	Country	12/31/2017	12/31/2016
Subsidiaries			
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.	México	100.00	100.00
BTG Pactual Swiss Services S.A.	Switzerland	-	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	63.32	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
Timber XI SPE S.A. (i)	Brazil	16.89	22.90
Timber IX Participações S.A. (i)	Brazil	16.89	22.90
São Lourenço Empreendimentos Florestais Ltda. (i)	Brazil	16.51	22.38
Fazenda Corisco Participações S.A. (i)	Brazil	16.51	22.38
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	15.89	21.55
SCFlor Empreendimentos Agrícolas Ltda.	Brazil	15.89	22.38
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	15.89	21.55
BTGI Quartzo Participações S.A	Brazil	100.00	100.00
BTGI Safira Participações S.A	Brazil	100.00	100.00
Investment funds			
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) The investee equity is divided into ordinary and preferred shares. The Company has the majority of the ordinary shares and voting rights.

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

As mentioned in Note 1, due to shares repurchase occurred in the ended December 31, 2017 and December 31, 2016, the Company holds 28.02% of equity interest in PPLA Investments (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, 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 years ended:

	December 31, 2017	December 31, 2016	December 31, 2015
In millions of R$			
Daily average VaR	0.3	0.7	7.8

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:

	12/31/2017			
	Brazil	**United States**	**Others**	**Total**
Assets				
Investment entity portfolio				
Assets				
Cash and cash equivalents	65,297	-	-	65,297
Financial Assets at fair value through profit or loss				
Securities	-	-	211,632	211,632
Investment entity portfolio (i)	1,309,456	-	46,228	1,355,684
Investments at fair value through other comprehensive income	83,894	979	(12,654)	72,219
Loans and receivables	20,733	-	427,349	448,082
Other assets	2,332	-	-	2,332
Liabilities (ii)	-	-	(1,995,548)	(1,995,548)
Total	**1,693,344**	**979**	**(1,534,625)**	**159,698**

	12/31/2016			
	Brazil	**United States**	**Others**	**Total**
Assets				
Cash and cash equivalents	107	-	-	107
Investment entity portfolio				
Assets				
Cash and cash equivalents	2,269	-	-	2,269
Financial Assets at fair value through profit or loss				
Securities	-	-	504,514	504,514
Investment entity portfolio (i)	1,798,867	-	193,865	1,992,732
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)
Total	**1,889,032**	**628,902**	**(1,795,300)**	**722,634**

(i) The amount of R$46,228 (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 5bii.
(ii) Includes financial liabilities contracted into by PPLA Investments (PPLA Participations 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:

PPLA Participations Ltd.

Notes to the financial statements

As of December 31, 2017

(In thousands of reais)

	12/31/2017				
	Private institutions	**Companies**	**Individuals**	**Others**	**Total**
Assets					
Investment entity portfolio Assets					
Cash and cash equivalents	65,297	-	-	-	65,297
Financial Assets at fair value through profit or loss					
Securities	211,632	-	-	-	211,632
Investment entity portfolio	1,349,761	429,801	-	(423,878)	1,355,684
Investments at fair value through other comprehensive income	-	84,873	-	(12,654)	72,219
Loans and receivables	-	21,210	426,872	-	448,082
Other assets	-	-	-	2,332	2,332
Liabilities (i)	-	-	-	(1,995,548)	(1,995,548)
Total	**1,626,690**	**535,884**	**426,872**	**(2,429,748)**	**159,698**

	12/31/16				
	Private institutions	**Companies**	**Individuals**	**Others**	**Total**
Assets					
Cash and cash equivalents	107	-	-	-	107
Investment entity portfolio Assets					
Cash and cash equivalents	2,269	-	-	-	2,269
Financial Assets at fair value through profit or loss					
Securities	504,514	-	-	-	504,514
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)
Total	**2,201,154**	**729,828**	**626,981**	**(2,835,329)**	**722,634**

(i) Includes financial liabilities entered into by PPLA Investments (PPLA Participations is not a counterparty of such contracts).

c. Liquidity analysis and risk

As of December 31, 2017, the Company does not have any liabilities (December 31, 2016 – 107).

As of December 31, 2017 and 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 December 31, 2017 and 2016:

	12/31/2017				
	Up to 90 days / No maturity	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Investment entity portfolio					
Assets					
Cash and cash equivalents	65,297	-	-	-	65,297
Financial Assets at fair value through profit or loss					
Securities	-	-	-	211,460	118,840
Investment entity portfolio	1,138,135	-	-	217,549	1,355,684
Investments at fair value through other comprehensive income	-	-	-	72,219	72,219
Loans and receivables	1,880	-	3,316	442,886	448,082
Other assets	-	2,332	-	-	2,332
Liabilities (i)	(1,471,494)	(331,408)	(192,646)	-	(1,995,548)
Total	**(266,182)**	**(329,076)**	**(189,330)**	**944,286**	**159,698**

	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					
Cash and cash equivalents	107	-	-	-	107
Assets					
Cash and cash equivalents	2,269	-	-	-	2,269
Financial Assets at fair value through profit or loss					
Securities	-	-	-	504,514	504,514
Investment entity portfolio	1,189,695	-	-	803,037	1,992,732
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)	(1,420,826)	(360,440)	(490,679)	(204,344)	(2,476,289)
Total	**(228,755)**	**(343,462)**	**(489,407)**	**1,784,258**	**722,634**

(i) Includes financial liabilities entered into by PPLA Investments (PPLA Participations is not a counterparty of such contracts).

5. Investment entity portfolio

As of December 31, 2017 and 2016, 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$159,698 (December 31, 2016 - R$722,527). Below are presented relevant information of the investment portfolio as of December 31, 2017 and 2016, through the investment in BTGI (via BTG Holdco).

On January 1, 2016, PPLA Investments 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 December 31, 2017 and 2016, are presented below:

	Note	12/31/2017 (1)	12/31/2016 (1)
Assets			
Cash and cash equivalents	(a)	233,045	7,747
Financial Assets at fair value through profit or loss			
Securities	(b)	755,288	1,723,067
Investment entity portfolio	(c)	4,838,449	6,804,846
Investments at fair value through other comprehensive income	(d)	257,749	172,204
Loans and receivables	(e)	1,599,203	2,206,832
Other assets		8,322	9,024
Total		**7,692,056**	**10,923,720**
Liabilities			
Derivatives		1,469	3,658
Financial liabilities at amortized cost	(f)	7,051,230	8,401,685
Other liabilities		10,510	61,128
Total		**7,063,209**	**8,466,471**
Shareholders' equity		**628,847**	**2,457,249**
Total liabilities and shareholders' equity		**7,692,056**	**10,923,720**
Investment entity portfolio reconciliation			
PPLA Investments shareholder's equity		628,847	2,457,249
PPLA Participations ownership (via BTG Holdco)		28,02%	29.28%
Subtotal		**176,197**	**719,561**
Fair value adjustment (2)		(16,499)	2,966
Total		**159,698**	**722,527**

(1) Balances as reported by PPLA Investments as of December 31, 2017 and December 31, 2016.
(2) PPLA Investments 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 PPLA Participations.

(a) Cash and cash equivalents

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

(b) Securities

I. 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.

II. Time deposits

This item is basically composed of interbank deposits in the international market, issued by Banco BTG Pactual S.A - Cayman Agency, with fixed term and non-negotiable until maturity on March 19, 2018.

(c) Investment entity portfolio

	As of December 31, 2017		As of December 31, 2016	
	Cost	**Fair value**	**Cost**	**Fair value**
Merchant Banking investments (i)	2,977,727	1,533,957	2,410,673	2,441,664
Private equity funds ("FIP")	300,507	79,483	300,507	331,498
Subsidiaries, associates and jointly controlled entities	2,677,220	1,454,474	2,110,166	2,110,166
Global markets investments (ii)	164,987	164,987	609,784	609,784
Loans (1)	4,652,319	4,652,319	5,175,817	5,175,817
Others (2)	(1,512,814)	(1,512,814)	(1,422,419)	(1,422,419)
Total	**6,282,219**	**4,838,449**	**6,773,855**	**6,804,846**

(1) Refers to loans granted by BTG Pactual Proprietary Feeder (1) Limited to PPLA Investments. The amount is reflected as financial liabilities at amortized cost in Note 5e.
(2) Includes financial assets and liabilities held by PPLA Investments' subsidiaries (PPLA Participations 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 December 31, 2017 and 2016, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP or other investment vehicles, as disclosed below:

		12/31/2017		12/31/2016	
Merchant Banking investments	**Description/Segment activity**	**(%) (1)**	**Fair value**	**(%) (1)**	**Fair value**
Through FIPs:					
B&A Mineração S.A. (2)	Development and operation of mining assets	88.1%	-	87.8%	165,893
BrPec Agropecuária S.A.	Ranching	100.0%	79,483	100.0%	165,606
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	16.9%	12,173	22.9%	8,042
Timber IX Participações S.A.	Biological assets	16.9%	69,587	22.9%	55,720
BTG Pactual Santa Terezinha Holding S.A	Biological assets	15.9%	14,851	21.6%	30,363
BTG Pactual SCFLOR & Fazenda Corisco Participações S.A	Biological assets	16.9%	20,614	23.0%	26,514
Brasil Pharma S.A. (3)	Pharmaceutical retail company	-	-	94.5%	403,912
Loans - Merchant Banking investments (4)	Others		1,337,250		1,585,614
Total			**1,533,957**		**2,441,664**

(1) The equity interest disclosed in the table above refers to the Company indirect interest.
(2) During the year ended December 31, 2017, PPLA Investments has measured at nil its equity investment in B&A Mineração S.A., recording a loss of approximately R$125,298.
(3) During the year ended December 31, 2017, PPLA Investments has measured at nil its equity investment in BR Pharma, recording a loss of approximately R$404,000. During the year ended December 31, 2016, PPLA Investments, through its subsidiary BTG Pactual Prop Feeder (1) S.a.r.l, undertook a capital increase of approximately R$400,000 in Brasil Pharma S.A. The cash proceeds were used to pay back the loan that was previously shown as "Loans – Merchant Banking investiments".
(4) Includes loans subsequent to the acquisition of a portion of Leader's liabilities liabilities in amount of approximately R$ 1,254,000, as described in Note 1, and loans granted to BR Pharma, Bravante and B&A in the amount of approximately R$824,000, 338,000 and 90,000, respectively, during the year ended December 31, 2017. Additionally, includes the impairment balances in the amount of R$718,000 and R$584,000 related to the debts of Leader and BR Pharma, respectively.

(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 December 31, 2017 and 2016, PPLA Investments had invested in BTG Pactual Absolute Return II Master Fund LP ("ARF") in the amount of R$164,987 (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.

(d) Investments at fair value through other comprehensive income

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

	As of December 31, 2017		As of December 31, 2016	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments - FIP (i)	230,864	302,911	240,555	233,247
Others (1)	(45,162)	(45,162)	(61,043)	(61,043)
Total	**185,702**	**257,749**	**179,512**	**172,204**

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

(i) Merchant banking investments - FIP

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

Merchant Banking investments	Description/Segment activity	12/31/2017		12/31/2016	
		(%) (1)	Fair Value	(%) (1)	Fair Value
Through FIPs:					
UOL Universo on Line S.A.	Internet and server provider	2.3%	162,690	2.3%	99,322
Estre Participações S.A.	Waste collection, treatment and disposal	17.8%	88,402	9.7%	30,581
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	30.1%	29,231	30.1%	27,810
A!Bodytech Participações S.A.	Fitness segment	10.4%	18,169	10.6%	54,528
Brasil Brokers Participações S.A.	Investment in real estate companies	0.6%	925	4.5%	13,643
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	0.4%	3,494	14.7%	6,563
Brasil Pharma S.A.	Pharmaceutical retail company	0.2%	-	0.2%	800
Total			**302,911**		**233,247**

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

(e) Loans and receivables

	12/31/2017	12/31/2016
Partners (i)	1,523,503	2,119,612
Others	75,700	87,220
Total	**1,599,203**	**2,206,832**

(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 year ended December 31, 2017 and 2016 were not counterparties to these loans.

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

(f) Financial liabilities at amortized cost

			12/31/2017	
	Maturity	**Index**	**Cost**	**Fair value**
Loans with financial institutions	March-18 to August-20	Libor and 1.15% to 5.3% p.a.	5,328,498	5,386,984
Medium term notes	January-18 to June-19	0.8%p.a. to 100% CDI	1,722,732	1,723,130
Total			**7,051,230**	**7,110,114**

			12/31/2016	
	Maturity	**Index**	**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
Total			**8,401,685**	**8,411,814**

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

(g) Fair value Hierarchy

PPLA Participations 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

	12/31/2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment entity portfolio				
Merchant Banking investments				
Private equity funds	-	-	79,483	79,483
Subsidiaries, associates and jointly controlled entities	-	1,337,250	117,224	1,454,474
Global markets investments	-	164,987	-	164,987
Corporate bonds	-	755,288	-	755,288
Loans	-	4,652,319	-	4,652,319
Others	-	(1,512,814)	-	(1,512,814)
Total	**-**	**5,397,030**	**196,707**	**5,593,737**

	12/31/2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment entity portfolio				
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)
Total	**-**	**7,665,901**	**856,050**	**8,527,913**

Changes in level 3 for the year ended December 31, 2017 and 2016 are as follows:

	Merchant Banking investments
Balances as of December 31, 2015	**1,229,469**
Acquisitions	245,711
Sales	(306,754)
Losses on fair value of investment entity portfolio	(312,376)
Balances as of December 31, 2016	**856,050**
Acquisition	530
Losses on fair value of investment entity portfolio	(659,873)
Balances as of December 31, 2017	**196,707**

(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:

	12/31/2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at fair value through other comprehensive income				
Merchant Banking investments - FIP	4,419	-	298,492	302,911
Others	-	(45,162)	-	(45,162)
Total	**4,419**	**(45,162)**	**298,492**	**257,749**

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

Changes in level 3 for the year ended December 31, 2017 are as follows:

	Merchant Banking investments
Balances at December 31, 2015	**486,705**
Acquisitions and reclassifications (i)	(41,514)
Losses on fair value of investment entity portfolio	(232,149)
Balances at December 31, 2016	**213,042**
Losses on fair value of investment entity portfolio	85,450
Balances at December 31, 2017	**298,492**

(i) As described in Note 5g. section vii.

(iii) Loans and receivables

Loans and receivables are presented at fair value at PPLA Participations' 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 PPLA Participations' 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 PPLA Participations' 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.

(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, 2017.

Merchant Banking Investment	Fair value - 12/31/17	Fair value - 12/31/16	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Private Equity Funds	298,492	213,042	Discounted cash flows	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Discount rate	· Increases (decreases) in discount rates decrease (increase) fair value
			Market Multiples	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Comparison to peers	· Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
			Transaction Multiples	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Comparison to peers	· Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
			Net Asset Valuation	· Asset values	· Increases (decreases) in liquidation value for individual assets increase (decrease) fair value
			Adjusted Quoted Price	· Liquidity discount	· Increases (decreases) in discount for lack of liquidity for individual assets increase (decrease) fair value

(vii) Reclassification between levels

During the year ended on December 31, 2016, Brasil Pharma S.A was reclassified from Level 1 to Level 3 on 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 on 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.

During the year ended December 31, 2017, there were no reclassification between levels and fair value hierarchy.

6. Shareholders' equity

a. Capital

PPLA Participations' Board of Directors held on October 5, 2016 approved the conversion of 17,722,662 PPLA Investments' class D shares into PPLA Participations' 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 PPLA Participations' class D shares were canceled. After the conversions, PPLA Participations, through BTG Holdco, subscribed to 17,722,662 newly issued PPLA Investments' class C shares.

PPLA Participations' 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.

PPLA Participations' Board of Directors held on June 1, 2016 approved the conversion of 45,873,921 PPLA Investments' class D shares into PPLA Participations' 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 PPLA Participations' class D shares were canceled. After the conversions, PPLA Participations, through BTG Holdco, subscribed to 45,873,921 newly issued PPLA Investments' class C shares.

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.

As of the trading session of September 8, 2017, the Company's units started to be listed and traded reflecting the new proportions of the Reverse Stock Split, as well as the BDRs representing shares issued by the Company were listed reflecting the new proportions of the Reverse Stock Split, at a ratio of nine-to-one.

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

	12/31/2017				
	Authorized	**Issued**	**Par value (R$)**	**Voting rights**	**Vote per share**
Class A (i)	5,000,000,000	28,146,637	-	Yes	1
Class B (i)	10,000,000,000	56,293,346	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
Total	**16,000,000,001**	84,440,019			

	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
Total	**16,000,000,001**	**808,443,106**			

(*) 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 units.

During the year ended December 31, 2017, the Bank repurchased units in the amount of R$30,373, equivalent to 16,160,980 units and canceled units in the amount of R$44,379, equivalent to 15,846,080 units.

c. Dividends

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

7. Loss per share

	12/31/2017	12/31/2016
Loss attributed to controlling shareholders	(532,058)	108,344
Weighted average per thousand shares outstanding during the year (i)	411,113	698,853
Earning / (loss) per share – Basic and Diluted (in Reais)	(1.29)	0.16

(i) Class A and class B shares.

8. Gains / (loss) from investiment entity portifolio measured at fair value

The breakdown of this item for the years ended December 31, 2017 and 2016 is as follows:

	12/31/2017	12/31/2016
Investment entity portfolio gain / (loss)	(514,485)	266,533
Fair value adjustment on loans issued and contracted by PPLA Investments	(17,467)	(158,246)
Total	**(531,952)**	**108,287**

9. Other operating income / (expenses)

	12/31/2017	12/31/2016
Other operating (expenses) / income (i)	-	239
Total	**-**	**239**

(i) Mainly comprised of foreign exchange on cash transactions during the year ended December 31, 2016.

10. Administrative expenses

	12/31/2017	12/31/2016
Professional fees	(105)	(182)
Total	**(105)**	**(182)**

11. Related Parties

As of December 31, 2017, PPLA Participations no presented balances of related-party transactions (December 31, 2016 – R$107). Related-party transactions are carried out at arm's length.

No management compensation was recorded during the year ended December 31, 2017 ans 2016.