

# **Consolidated Financial Statements**

## **Banco BTG Pactual S.A. and subsidiaries**

June 30, 2017

with independent auditor's report on consolidated financial statements

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

### Consolidated financial statements

June 30, 2017

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

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## **Independent auditor's review report**

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

### **Introduction**

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries ("Bank") for the six-month period then ended June 30, 2017, which comprise the consolidated balance sheet as of June 30, 2017 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated financial statement based on our review.

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred above have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

## **Emphasis of matters**

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

At June 30, 2017, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 3.2 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A.. Our conclusion is not qualified in respect of this matter.

### *Separate financial statements*

The Bank has prepared a full set of separate financial statements for the six-month period ended at June 30, 2017 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil on which we issued an unqualified audit opinion containing the same emphasis paragraph described above, dated August 1, 2017.


## **Other matters**

### *Consolidated Statement of value added*

We have also reviewed the consolidated statement of value added, for the six-month period ended at June 30, 2017, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. This consolidated statement has been subject to the same review procedures previously described. For the purposes of forming our conclusion, we evaluated whether this statement is reconciled with the interim consolidated financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our conclusion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the interim consolidated financial statements taken as a whole.

São Paulo, August 1, 2017.

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



Flávio Serpejante Peppe  
Accountant CRC – 1SP 172.167/O-6

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

### **Consolidated balance sheets**

As at June, 30, 2017 and December 31, 2016

(In thousands of reais)

	Note	30/06/2017	31/12/2016
Assets			
Current assets		90,231,832	83,553,280
Cash at banks	6	1,049,060	674,114
Short-term interbank investments	7	29,521,490	20,752,635
Open market investments		27,215,922	18,810,059
Interbank deposits		2,305,568	1,942,576
Securities and derivative financial instruments		33,185,777	33,304,289
Own portfolio	8	10,326,650	12,887,902
Subject to repurchase agreements	8	6,727,713	6,385,653
Subject to unrestricted repurchase agreements	8	232,611	185,449
Derivative financial instruments	9	12,299,834	10,897,355
Subject to guarantees	8	3,598,969	2,947,930
Interbank transactions		1,631,300	1,962,962
Deposits in the Central Bank of Brazil		1,606,551	1,962,962
Restricted credits – National Housing System		24,749	-
Loans	10	3,944,965	3,634,223
Loans		4,546,349	4,003,998
Transferred loans with coobligation		257,781	12,848
Allowance for loan losses		(859,165)	(382,623)
Other receivables		20,873,487	23,156,354
Foreign exchange portfolio	11	9,322,628	14,695,453
Income receivable	12	763,503	668,728
Securities trading and brokerage	11	2,887,701	2,790,923
Sundry	12	8,094,312	5,149,017
Allowance for losses on other receivables	10	(194,657)	(147,767)
Other assets		25,753	68,703
Other assets		2,207	1,727
Prepaid expenses		55,159	66,976
Provision for losses on other assets		(31,613)	-
Long-term-assets		22,885,008	19,577,416
Long-term interbank investments	7	204,194	48
Open market investments		204,194	48
Securities and derivative financial instruments		6,413,514	4,181,932
Own portfolio	8	2,906,375	496,085
Derivative financial instruments	9	2,813,956	1,012,968
Subject to repurchase agreements	8	571,138	778,640
Subject to guarantees	8	122,045	1,894,239
Interbank transactions		228,263	272,357
Restricted credits – National Housing System		228,263	272,357
Loans	10	7,180,036	5,879,135
Loans		7,266,994	6,076,828
Transferred loans with coobligation		95,094	-
Allowance for loan losses		(182,052)	(197,693)
Other receivables		8,686,794	9,159,107
Income receivable	12	89,403	192,477
Sundry	12	8,628,614	8,968,038
Allowance for losses on other receivables	10	(31,223)	(1,408)
Other assets		172,207	84,837
Temporary investments		52,149	52,149
Other assets		149,305	62,576
Prepaid expenses		-	15,211
Provision for losses on other assets		(29,247)	(45,099)
Permanent assets		5,996,398	8,640,861
Investments		5,613,731	8,167,843
Investments in associates and jointly controlled entities - in Brazil	13	1,633,392	1,613,057
Investments in associates and jointly controlled entities - abroad	13	3,964,922	6,539,084
Other investments		18,915	19,200
Allowance for losses in investments		(3,498)	(3,498)
Property and equipment in use		88,601	92,688
Property in use		5,147	4,930
Other property and equipment in use		254,336	245,955
Accumulated depreciation		(170,882)	(158,197)
Deferred charges		-	13,595
Amortization and expansion costs		-	63,842
Accumulated amortization		-	(50,247)
Intangible assets	14	294,066	366,735
Other intangible assets		1,418,748	1,300,456
Accumulated amortization		(1,124,682)	(933,721)
Total assets		119,113,238	111,771,557

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

# BANCO BTG PACTUAL S.A. and subsidiaries

## Consolidated balance sheets

As at June, 30, 2017 and December 31, 2016

(In thousands of reais)

	Note	30/06/2017	31/12/2016
Liabilities			
Current liabilities		72,704,514	70,059,411
Deposits	15	7,687,650	7,529,145
Demand deposits		96,182	128,552
Interbank deposits		285,988	171,806
Time deposits		7,305,480	7,228,787
Open market funding	15	31,697,402	24,083,428
Own portfolio		7,814,060	7,687,107
Third-party portfolio		22,861,301	12,967,472
Free trading portfolio		1,022,041	3,428,849
Funds from securities issued and accepted	15	3,590,620	5,627,207
Real estate, mortgage, credit and similar notes		3,178,103	5,273,282
Securities issued abroad		378,364	342,252
Certificates of structured transactions		34,153	11,673
Interbank transactions		3,248	5,060
Unsettled receipts and payments		3,248	5,060
Interdependencies transactions		27,512	82,602
Unsettled third party assets		27,512	82,602
Loans and onlending	15	1,057,674	999,606
Loans abroad		822,117	768,480
Loans in Brazil		156,385	163,771
Onlending in Brazil		79,172	67,355
Derivative financial instruments	9	10,701,888	8,430,235
Derivative financial instruments		10,701,888	8,430,235
Other liabilities		17,938,520	23,302,128
Collection and payments of tax and similar charges		2,534	3,889
Foreign exchange portfolio	11	9,089,990	14,341,764
Social and statutory	16	988,241	1,457,553
Tax and social security	16	262,286	326,911
Securities trading and brokerage	11	5,427,486	4,101,958
Subordinated debt	15	1,265,250	1,239,548
Sundry	16	902,733	1,830,505
Long-term liabilities		28,035,595	23,717,671
Deposits	15	849,524	161,672
Interbank deposits		40,162	54,329
Time deposits		809,362	107,343
Open market funding	15	1,103,234	820,545
Own portfolio		-	105,979
Free trading portfolio		1,103,234	714,566
Funds from securities issued and accepted	15	5,351,132	4,708,495
Real estate, mortgage, credit and similar notes		3,169,876	2,556,676
Securities issued abroad		2,132,085	2,151,819
Certificates of structured transactions		49,171	-
Loans and onlending	15	2,817,004	2,545,216
Loans abroad		208,808	-
Onlending in Brazil		2,608,196	2,545,216
Derivative financial instruments	9	2,669,332	1,214,642
Derivative financial instruments		2,669,332	1,214,642
Other liabilities		15,245,369	14,267,101
Tax and social security	16	1,789,071	1,761,296
Subordinated debt	15	5,532,188	6,043,442
Debt instrument eligible to capital	15	4,377,898	4,305,202
Sundry	16	3,546,212	2,157,161
Deferred income		155,903	141,783
Non-controlling interest		137,919	125,473
Shareholders' equity	19	18,079,307	17,727,219
Capital - domiciled in Brazil		4,727,289	4,727,289
Capital - domiciled Abroad		2,493,237	2,493,237
Capital Reserve		652,515	652,515
Asset valuation adjustment		8,276	39,756
Income reserves		9,735,540	9,885,256
Treasury shares		(86,555)	(70,834)
Retained earnings		549,005	-
Total Liabilities and Shareholders' equity		119,113,238	111,771,557

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of income

Semesters ended June 30

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

	Note	Quarter ended:		Semester ended:	
		30/06/2017	30/06/2016	30/06/2017	30/06/2016
Financial income		2,014,677	3,834,468	4,838,652	8,379,422
Loans		319,651	407,935	773,468	1,103,912
Securities		1,122,426	189,647	2,964,936	1,070,844
Derivative financial instruments		532,010	2,186,232	760,045	4,482,588
Foreign Exchange		-	999,695	245,980	1,620,307
Mandatory investments		40,590	50,959	94,223	101,771
Financial expenses		(1,595,852)	(921,440)	(3,157,473)	(2,669,975)
Funding operations		(1,045,223)	(1,542,107)	(2,714,673)	(3,681,829)
Borrowing and onlending		(312,665)	532,474	(267,548)	1,055,001
Foreign Exchange		(174,084)	-	-	-
Allowance for loan losses and other receivables	10	(63,880)	88,193	(175,252)	(43,147)
Net financial income		418,825	2,913,028	1,681,179	5,709,447
Other operating expenses		(110,912)	(1,019,048)	(162,654)	(2,261,126)
Income from services rendered	20	346,981	664,823	770,074	1,500,675
Personnel expenses		(153,449)	(439,982)	(308,208)	(1,076,834)
Other administrative expenses	23	(292,697)	(569,496)	(526,386)	(1,221,975)
Tax charges		(15,825)	(155,936)	(113,807)	(335,923)
Equity earnings of associates and jointly controlled entities	13	(34,597)	(366,257)	34,652	(946,338)
Other operating income	21	258,154	241,656	479,333	685,000
Other operating expenses	22	(219,479)	(393,856)	(498,312)	(865,731)
Operating income		307,913	1,893,980	1,518,525	3,448,321
Non-operating (expenses) / income	24	7,448	43,696	(21,516)	484,427
Income before taxation and profit sharing		315,361	1,937,676	1,497,009	3,932,748
Income tax and social contribution	18	246,496	(608,183)	(30,058)	(1,204,102)
Provision for income tax		(256,736)	(155,376)	(220,749)	(420,655)
Provision for social contribution		(16,977)	(41,841)	(74,694)	(170,748)
Deferred income tax and social contribution		520,209	(410,966)	265,385	(612,699)
Statutory profit sharing		(61,726)	(334,228)	(251,098)	(730,562)
Non-controlling interest		2,427	7,944	6,772	13,635
Net income for the quarter / semester	19	502,558	1,003,209	1,222,625	2,011,719
Interest on equity	19	(630,000)	(500,000)	(623,776)	(500,000)
Weighted average numbers of share outstanding		2,755,152,644	2,696,327,316	2,766,744,628	2,726,543,451
Net income per share - R\$		0.18	0.37	0.44	0.74

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Statements of changes in shareholders' equity – parent company

Semesters ended June 30

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

	Note	Income reserves						Asset valuation adjustment	Treasury shares	Retained earnings	Total
		Capital	Capital reserve	Legal	Unrealized	Statutory	Total				
Balances as at December 31, 2015		7,180,526	-	907,770	5,389,109	6,170,174	12,467,053	143,614	(132,394)	-	19,658,799
Own shares acquired	19b	-	-	-	-	-	-	-	(252,041)	-	(252,041)
Cancellation of treasury shares	19b	-	-	-	-	(231,906)	(231,906)	-	231,906	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	(88,400)	-	-	(88,400)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	(2,377)	-	-	(2,377)
Net income for the semester		-	-	-	-	-	-	-	-	2,011,719	2,011,719
Net income allocation		-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	100,586	-	-	100,586	-	-	(100,586)	-
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Balances as at June 30, 2016		<u>7,180,526</u>	<u>-</u>	<u>1,008,356</u>	<u>5,389,109</u>	<u>5,938,268</u>	<u>12,335,733</u>	<u>52,837</u>	<u>(152,529)</u>	<u>1,411,133</u>	<u>20,827,700</u>
Balances as at December 31, 2016		7,220,526	652,515	1,078,199	3,236,533	5,516,059	9,830,791	39,756	(70,834)	-	17,672,754
Own shares acquired	19b	-	-	-	-	-	-	-	(215,281)	-	(215,281)
Cancellation of treasury shares	19b	-	-	-	-	(199,560)	(199,560)	-	199,560	-	-
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	6,224	6,224
Changes in fair value of assets available for sale		-	-	-	-	-	-	(2,475)	-	-	(2,475)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	(1,576)	-	-	(1,576)
Currency translation adjustments		-	-	-	-	-	-	198,315	-	-	198,315
Foreign Investment hedge		-	-	-	-	-	-	(225,744)	-	-	(225,744)
Net income for the semester		-	-	-	-	-	-	-	-	1,222,625	1,222,625
Net income allocation		-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	49,844	-	-	49,844	-	-	(49,844)	-
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	-	-	(630,000)	(630,000)
Balances as at June 30, 2017		<u>7,220,526</u>	<u>652,515</u>	<u>1,128,043</u>	<u>3,236,533</u>	<u>5,316,499</u>	<u>9,681,075</u>	<u>8,276</u>	<u>(86,555)</u>	<u>549,005</u>	<u>18,024,842</u>

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

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



## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of cash flows

Semesters ended June 30

(In thousands of reais)

	Note	30/06/2017	30/06/2016
Operating activities			
Net income for the semester		1,222,625	2,011,719
Adjustments to net income		361,718	3,457,848
Equity pick up from associates and jointly controlled entities	13	(34,652)	946,338
Interest expense with subordinated debt		532,042	1,518,049
Deferred income tax and social contribution		(265,385)	612,699
Goodwill amortization	22	81,871	82,869
Goodwill exchange variation	14	11,962	105,964
Interest on equity received by own shares repurchase		6,224	-
Permanent assets exchange variation		(2,760)	41,686
Depreciation and amortization	23	32,416	150,243
Adjusted net income for the semester		1,584,343	5,469,567
(Increase)/decrease in operational activities			
Short-term interbank investments		3,341,481	(6,021,468)
Securities and derivative financial instruments		1,349,620	3,142,744
Loans		(1,611,641)	15,346,182
Other receivables and other assets		4,673,012	14,134,997
Interbank transactions		373,941	(40,003)
Interdependencies transactions		(55,090)	-
Other liabilities		(3,945,918)	(4,045,804)
Deferred income		14,120	(164,662)
Deposits		846,357	(31,568,448)
Open market funding		7,896,662	2,184,882
Loans and onlending		329,856	(1,388,931)
Cash provided by / (used in) by operating activities		14,796,743	(2,950,944)
Investing activities			
Sale of other investment		285	3,299
Sale of investments	13	1,180,949	76,617
Acquisition of equity interests	13	(282)	-
Dividends and interest on equity received	13	176,552	126,886
Acquisition of property and deferred charges		(5,673)	(47,360)
Sale of property and deferred charges		14,260	3,471
Acquisition of intangible assets		(41,726)	-
Sale of intangible assets		3	65,067
Cash provided by investing activities		1,324,368	227,980
Financing activities			
Acquisition of treasury shares		(215,281)	(252,041)
Funds from securities issued and accepted		(1,393,950)	(5,564,922)
Subordinated debt and debt instrument eligible to equity		(944,898)	(2,687,294)
Non-controlling interest		12,446	(83,163)
Interest on equity	19	(890,000)	(492,754)
Cash (used in) financing activities		(3,431,683)	(9,080,174)
Increase / (decrease) in cash and cash equivalents		12,689,428	(11,803,138)
Balance of cash and cash equivalents	25		
At the beginning of the semester		13,973,748	38,429,340
At the end of the semester		26,663,176	26,626,202
Increase / (decrease) in cash and cash equivalents		12,689,428	(11,803,138)
Non-cash transaction			
Assets transfer, held for sale		1,696,276	-
Acquisition of intangible assets		-	(768,243)
Interest on equity		(630,000)	500,000
Changes in fair value of assets available for sale		(2,475)	(88,400)

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of value added

Semesters ended June 30

(In thousands of reais)

	30/06/2017	30/06/2016
Income	5,608,726	11,238,794
Financial brokerage	4,838,652	9,434,423
Services rendered	770,074	1,500,675
Other	-	303,696
Expenses	(3,197,968)	(3,724,976)
Financial brokerage	(2,982,221)	(3,681,829)
Allowance for loan losses and other receivables	(175,252)	(43,147)
	(40,495)	-
Inputs acquired from third parties	(454,152)	(981,994)
Materials, energy and other	(5,597)	(9,720)
Outsourced services	(448,555)	(972,274)
Gross value added	1,956,606	6,531,824
Depreciation and amortization	(32,416)	(150,243)
Net value added produced by the entity	1,924,190	6,381,581
Value added received through transfer	34,652	(946,338)
Equity in the earnings of associates and jointly controlled entities	34,652	(946,338)
Value added to be distributed	1,958,842	5,435,243
Distribution of value added	1,958,842	5,435,243
Personnel	559,306	1,807,397
Direct compensation	476,992	1,573,600
Benefits	43,603	120,775
FGTS – government severance pay fund	38,711	113,022
Taxes, fees and contributions	143,865	1,540,025
Federal	109,730	1,471,008
Municipal	34,135	69,017
Remuneration of third party capital	39,818	89,737
Rent expenses	39,818	89,737
Remuneration of shareholders	1,215,853	1,998,084
Retained earnings	1,846,401	1,511,719
Interest on equity	(623,776)	500,000
Non-controlling interest	(6,772)	(13,635)

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

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

Notes to the consolidated financial statements

June 30, 2017

(In thousands of reais, except otherwise indicated)

### **1. Operations**

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

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

The Bank and BTG Pactual Participations Ltd (the "Companies") have units listing on NYSE Euronext in Amsterdam and B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share, class A, 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.

BTG Pactual concluded its strategic plan to improve liquidity and preserve capital; and it understands that the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of the commodities business as well as the cost reduction program, will bring it to levels of liquidity and capital better than its historical.

#### **Special Committee**

On December 4, 2015, the Board of Directors created a Special Committee, 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 the Legal Counsel, concluded their investigation and released their final report. Based on its investigation, the Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel under investigation engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

#### **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 depository 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

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

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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.

### **Units 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 units are held in treasury.

## **2. Corporate reorganization and acquisitions**

### **Corporate events**

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

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 Brazilian 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 is operating 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. Up to five years after the completion of the separation, Engelhart CTP have the option to acquire its remaining equity interest held by the Bank for its equity value.

Further to the process of separation of its commodity trading activities, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP against delivery to the Bank of 596,209,676 Class C Preferred Shares ("PNCs") that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP. BTG Pactual is recognizing the remaining stake as an investment in an associate entity based on the equity method.

During the semester ended June 30, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 7.6% (December 31, 2016 – 6.1%) of its own shares held by the Bank. The total consideration was paid US\$197 million (December 31, 2016 - US\$150 million) and the price was equivalent to Engelhart CTP's net asset accounting value.

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

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### **Acquisitions and disposals**

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

On November 1, 2016, BTG Pactual sold 100% of BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF390 million. EFG's stake were accounted for using the equity pick up method.

On December, 2016, the bank repurchased one of its energy trading entity, which had been sold on October 30, 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

On November 2016, BTG Pactual, together with its joint-venture partner, has entered into definitive agreements to sell 100% of the equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. On February 6, 2017, the sale transaction of Maybrooke equity interest was completed, and generated a loss in the amount of R\$35 million.

On November 2016, the Bank has entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of corporate loan portfolios, in the amount of R\$19 million. On April 17, 2017, the acquisition transaction of Enforce equity interest, was approved.

On February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO"), in the amount of CHF90 million.

On April 20, 2016, BTG Pactual informed its shareholders and the market in general that on this date purchase and sale agreements were entered into, whereby CNP Assurances S.A. agreed to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R\$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of the transactions plus any dividends to be distributed to the their respective shareholders until the completion date, in accordance with the relevant agreements. On February 2, 2017 the bank announced that the aforementioned transaction will not be concluded because precedent conditions have not been met.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### 3. Presentation of the financial statements

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

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

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

The consolidated financial statements were approved by the Bank's management on August 1, 2017, and they contain a true and fair view of the development and results of the Bank. management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

#### a. Consolidated financial statements

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

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

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

	Country	Equity interest - %	
		30/06/2017	31/12/2016
<b>Direct subsidiaries</b>			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	-	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

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	Country	Equity interest - %	
		30/06/2017	31/12/2016
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	45.87	0.51
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual TTG Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
<b>Indirect subsidiaries</b>			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Infra IX Empreendimentos e Participações S.A	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTGP-BSI LIMITED	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	-
TTG Forestry Services LLC	USA	100.00	-
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	74.00	-
<b>Investment funds</b>			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Real Estate Fund Ltd	Cayman	100.00	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00

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### **b. Functional currency**

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

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

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

## **4. Significant accounting practices**

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

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

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

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

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

### **c. Securities**

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



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### **i. Trading securities**

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

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

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

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

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to the statements of income. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

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

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

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

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

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

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in the statements of income.

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

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

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

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

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

The notional amount of the agreements recorded in memorandum accounts.

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

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

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

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

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### **h. Loans and other receivables (operations with credit characteristics)**

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

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

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

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

### **j. Investment property**

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

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

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

### **k. Investments**

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

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

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### **I. Foreign currency translation**

The financial statements of the Bank are presented in Brazilian Reais, which is its functional and presentation currency. For each subsidiary and investment in associates and joint ventures, the Bank defined the functional currency, as set forth in CMN's resolution nº 4.524. The assets and liabilities of subsidiaries with a functional currency other than the Brazilian Real are translated as follows: (i) Assets and liabilities are translated at the closing rate at the balance sheet date. (ii) Income and expenses are translated at monthly average exchange rates. (iii) Equity in the earnings of subsidiaries abroad is recognized as follows: For those with functional currency equal to Real; Profit or loss for the period: For those with functional currency equal to Real: a) Profit or loss for the period; Portion related to the subsidiary's effective income; and b) Stockholders' equity: Portion related to foreign exchange adjustments arising from the translation process, net of tax effects.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of foreign exchange results and exchange variations on transactions.

#### **m. Goodwill and negative goodwill**

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

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

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

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

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

#### **o. Intangible assets**

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

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

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### **p. Impairment on non-financial assets**

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

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

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

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

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

Recognized according to the criteria described below:

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

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

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

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

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

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

### **s. Earnings per share**

Calculated based on weighted average shares outstanding for the period.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

## 5. Risk management

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

### a. Operational limits

	30/06/2017	31/12/2016
Reference Shareholders' Equity	18,024,842	17,672,754
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	18,079,307	17,727,219
Tier I	15,710,160	16,216,254
Common Equity	11,353,733	11,924,484
Complementary Equity	4,356,427	4,291,770
Tier II	2,855,188	3,421,161
Reference Shareholders' Equity (PR) - (a)	18,565,348	19,637,415
Required Reference Shareholders' Equity (PRE)	9,055,292	9,571,425
Total exposure risk-weighted - (b)	97,895,045	91,156,431
Credit risk	53,411,550	55,813,608
Operational risk	7,080,091	3,385,968
Market risk	37,403,404	31,956,855
Basel ratio - (a/b)	19.0%	21.6%
Tier I capital	16.0%	17.8%
Tier II capital	3.0%	3.8%
Fixed assets ratio	52.6%	77.1%
Fixed assets to equity capital ratio	9,277,312	9,813,329
Status for fixed assets to equity capital ratio	4,879,264	7,567,019
Amount of margin (insufficiency)	4,398,048	2,246,310

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

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

As at June 30, 2017 and December 31, 2016 the Bank was in compliance with all operating limits.

### b. Market risk

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

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

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

In millions of R\$	June 2017	December 2016	June 2016
Daily average VaR	103,4	141.3	234.3

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### **c. Credit risk**

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

### **d. Liquidity risk**

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

### **e. Operational risk**

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

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

## **6. Cash at banks**

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



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### 7. Interbank investments

	30/06/2017					31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	27,420,116	25,164,121	2,051,801	20,841	183,353	18,810,107
Own portfolio	2,909,807	1,658,998	1,242,348	2,356	6,105	1,293,206
Federal government bonds	1,758,403	1,554,490	203,913	-	-	1,204,460
Corporate bonds	110,906	104,508	5,313	-	1,085	88,746
Foreign government bonds	1,040,498	-	1,033,122	2,356	5,020	-
Third-party portfolio	23,451,749	22,998,667	405,800	1,179	46,103	13,879,352
Federal government bonds	23,388,821	22,983,021	405,800	-	-	13,838,735
Corporate bonds	15,646	15,646	-	-	-	2,137
Foreign government bonds	47,282	-	-	1,179	46,103	38,480
Short position	1,058,560	506,456	403,653	17,306	131,145	3,637,549
Federal government bonds	910,109	506,456	403,653	-	-	3,544,580
Foreign government bonds	148,451	-	-	17,306	131,145	92,969
Interbank investments (*)	2,305,568	2,268,651	36,917	-	-	1,942,576
Interbank deposit certificates	1,234,157	1,197,240	36,917	-	-	530,326
Investments in foreign currency - overnight	1,071,411	1,071,411	-	-	-	1,412,250
Total	29,725,684	27,432,772	2,088,718	20,841	183,353	20,752,683

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

The collateral received in repurchase agreements amounts to R\$27,666,299 (December 31, 2016 - R\$19,162,823), whereas the collateral granted amounts to R\$32,952,829 (December 31, 2016 - R\$25,151,446).

### 8. Securities

#### a. By type of portfolio

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

	30/06/2017							31/12/2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,170,742	13,233,025	5,055,307	3,369,870	787,610	1,115,940	2,904,298	13,383,987
Federal government bonds	2,238,169	2,239,796	98,259	36,644	107,564	488,006	1,509,323	5,273,562
Brazilian foreign debt securities	43,591	43,131	-	-	-	-	43,131	9,031
Debentures/Eurobonds (i)	577,546	557,175	17,302	109,303	32,069	322,510	75,991	444,582
Bank certificates of deposit	23,211	23,211	-	23,211	-	-	-	108
Investment fund quotes								
Shares	112,780	124,256	124,256	-	-	-	-	130,060
Multimarket	1,551,527	1,690,445	686,821	1,003,624	-	-	-	1,935,931
FIDC - Credit Rights	5,891	5,891	5,891	-	-	-	-	5,892
Real Estate	2,828	2,828	-	-	2,828	-	-	4,563
Equity Investment fund	543,054	561,989	98,788	-	352,816	-	110,385	847,758
Shares	5,423,749	5,292,179	3,455,723	1,667,234	-	-	169,222	3,155,508
Promissory notes	-	-	-	-	-	-	-	30,546
Certificate of real estate receivables	67,733	67,733	-	-	8,813	3,685	55,235	34,120
Other	34,380	34,374	13	595	3,011	-	30,755	14,476
Foreign government bonds	961,728	964,584	458,235	118,324	190,931	160,588	36,506	475,605
Foreign private securities	1,584,555	1,625,433	110,019	410,935	89,578	141,151	873,750	1,022,245
Unrestricted portfolio	232,800	232,611	-	-	18,602	36,638	177,371	185,449

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	30/06/2017							31/12/2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Federal government bonds	232,800	232,611	-	-	18,602	36,638	177,371	185,449
Subject to repurchase agreements	7,372,834	7,298,851	174,045	2,100,196	329,104	351,301	4,344,205	7,164,293
Federal government bonds	4,492,058	4,493,315	136,729	432,451	114,507	110,918	3,698,710	4,961,034
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Certificate of real estate receivables	289,464	289,464	-	-	-	-	289,464	314,623
Foreign government bonds	1,099,189	1,266,762	12,670	812,287	26,589	175,733	239,483	181,874
Foreign private securities								
Corporate Bond	149,986	150,947	-	97,497	8,265	6,939	38,246	460,625
Debentures / Eurobonds (i)	1,342,137	1,098,363	24,646	757,961	179,743	57,711	78,302	1,236,061
Subject to guarantees	3,426,935	3,721,014	1,208,021	1,564,657	318,457	617,455	12,424	4,842,169
Federal government bonds	2,260,514	2,537,628	297,937	1,415,028	286,779	525,460	12,424	3,968,253
Promissory notes	32,354	32,354	-	32,354	-	-	-	-
Investment fund quotes								
Multimarket	274,277	274,277	274,277	-	-	-	-	244,978
Debentures / Eurobonds (i)	118,221	117,659	-	14,076	30,050	73,533	-	101,380
Certificate of real estate receivables	18,462	18,462	-	-	-	18,462	-	24,017
Shares	602,198	616,563	616,563	-	-	-	-	422,913
Bank certificates of deposit	99,526	102,689	-	102,689	-	-	-	64,886
Foreign private securities	21,383	21,382	19,244	510	1,628	-	-	15,742
Trading securities	17,619,015	18,164,237	6,109,155	4,641,235	1,143,961	1,130,078	5,139,808	18,258,886
Available for sale securities	3,195,245	2,932,213	328,218	985,988	309,812	513,975	794,220	2,378,011
Held-to-maturity securities	3,389,051	3,389,051	-	1,407,500	-	477,281	1,504,270	4,939,001
Total	24,203,311	24,485,501	6,437,373	7,034,723	1,453,773	2,121,334	7,438,298	25,575,898

(i) Substantially securities issued by Brazilian companies.

### b. Trading securities

	30/06/2017							31/12/2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	9,760,503	9,841,481	4,751,735	3,188,273	685,308	274,350	941,775	12,684,090
Federal government bonds	256,618	258,245	98,259	36,644	-	10,725	5,053	5,273,562
Brazilian foreign debt securities	43,591	43,131	-	-	-	-	43,131	9,031
Debentures/Eurobonds	6,112	14,186	-	14,186	-	-	-	20,953
Bank certificates of deposit	23,211	23,211	-	23,211	-	-	-	108
Investment fund quotes								
Shares	112,780	124,256	124,256	-	-	-	-	130,060
Multimarket	1,551,527	1,690,445	686,821	1,003,624	-	-	-	1,935,931
FIDC - Credit Rights	5,891	5,891	5,891	-	-	-	-	5,892
Real Estate	2,828	2,828	-	-	2,828	-	-	4,563
Equity Investment fund	432,073	451,008	98,788	-	352,220	-	-	717,825
Shares	5,423,749	5,292,179	3,455,723	1,667,234	-	-	169,222	3,155,508
Foreign government bonds	655,403	657,477	274,560	86,673	133,118	126,620	36,506	408,412
Foreign private securities	1,246,720	1,278,624	7,437	356,701	89,578	137,045	687,863	1,022,245
Unrestricted portfolio	232,800	232,611	-	-	18,602	36,638	177,371	185,449
Federal government bonds	232,800	232,611	-	-	18,602	36,638	177,371	185,449
Subject to repurchase agreements	5,775,314	5,945,106	149,399	1,342,235	151,644	293,590	4,008,238	3,038,362
Federal government bonds	4,492,058	4,493,315	136,729	432,451	114,507	110,918	3,698,710	2,385,787
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Foreign government bonds	1,099,189	1,266,762	12,670	812,287	26,589	175,733	239,483	181,874
Foreign private securities								
Corporate Bond	149,986	150,947	-	97,497	8,265	6,939	38,246	460,625
Debentures / Eurobonds	34,081	34,082	-	-	2,283	-	31,799	-
Subject to guarantees	1,850,398	2,145,039	1,208,021	110,727	288,407	525,460	12,424	2,350,985
Federal government bonds	853,014	1,130,128	297,937	7,528	286,779	525,460	12,424	1,604,499
Investment fund quotes								
Multimarket	274,277	274,277	274,277	-	-	-	-	244,978
Shares	602,198	616,563	616,563	-	-	-	-	422,913
Bank certificates of deposit	99,526	102,689	-	102,689	-	-	-	64,886
Foreign private securities	21,383	21,382	19,244	510	1,628	-	-	13,709
Total	17,619,015	18,164,237	6,109,155	4,641,235	1,143,961	1,130,078	5,139,808	18,258,886

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### c. Available-for-sale securities

	30/06/2017							31/12/2016
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	1,428,688	1,409,993	303,572	181,597	102,302	364,269	458,253	699,897
Investment fund quotes								
Equity investment fund	110,981	110,981	-	-	596	-	110,385	129,933
Debentures	571,434	542,989	17,302	95,117	32,069	322,510	75,991	423,629
Certificate of real estate receivables	67,733	67,733	-	-	8,813	3,685	55,235	34,120
Promissory notes	-	-	-	-	-	-	-	30,546
Foreign government bonds	306,325	307,107	183,675	31,651	57,813	33,968	-	67,193
Foreign private securities	337,835	346,809	102,582	54,234	-	4,106	185,887	14,476
Other	34,380	34,374	13	595	3,011	-	30,755	-
Subject to repurchase agreements	1,597,520	1,353,745	24,646	757,961	177,460	57,711	335,967	1,550,684
Debentures	1,308,056	1,064,281	24,646	757,961	177,460	57,711	46,503	1,236,061
Certificate of real estate receivables	289,464	289,464	-	-	-	-	289,464	314,623
Subject to guarantees	169,037	168,475	-	46,430	30,050	91,995	-	127,430
Debentures	118,221	117,659	-	14,076	30,050	73,533	-	101,380
Certificate of real estate receivables	18,462	18,462	-	-	-	18,462	-	24,017
Promissory notes	32,354	32,354	-	32,354	-	-	-	2,033
Total	3,195,245	2,932,213	328,218	985,988	309,812	513,975	794,220	2,378,011

### d. Held-to-maturity securities

	30/06/2017						31/12/2016
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	1,981,551	-	-	-	477,281	1,504,270	2,575,247
Federal government bonds	1,981,551	-	-	-	477,281	1,504,270	2,575,247
Subject to guarantees	1,407,500	-	1,407,500	-	-	-	2,363,754
Federal government bonds	1,407,500	-	1,407,500	-	-	-	2,363,754
Total	3,389,051	-	1,407,500	-	477,281	1,504,270	4,939,001

If measured at fair value, held-to-maturity securities would be reported as at the period ended June 30, 2017 with a negative adjustment of R\$96,023 (December 31, 2016 – R\$36,279 negative).

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

### e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the semester ended in June 30, 2017 and year ended December 31, 2016.

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### 9. Derivative financial instruments

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

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

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

As at the semester ended June 30, 2017 the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the head office. As at the year ended December 31, 2016, the Bank does not have derivative financial instruments classified as hedge accounting.

	30/06/2017		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	11,334,852	(225,744)	5,817,238

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

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

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

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

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	30/06/2017				31/12/2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	45,801,585	64,504,571	7,278,213	117,584,369	81,712,301
Currency	474,675	94,174	5,344	574,193	6,766,707
Interest rate	45,185,980	63,007,113	7,272,869	115,465,962	74,840,749
Index	-	1,403,284	-	1,403,284	-
Equities	-	-	-	-	22
Other	140,930	-	-	140,930	104,823
Short position	15,868,773	4,276,339	1,655,606	21,800,718	18,262,714
Currency	5,316,505	10,231	-	5,326,736	70
Interest rate	10,218,337	1,160,025	1,655,606	13,033,968	18,070,715
Commodities	-	-	-	-	7,549
Index	-	1,322,833	-	1,322,833	-
Equities	-	-	-	-	22
Other	333,931	1,783,250	-	2,117,181	184,358
Swap					
Long position	35,442,570	19,657,951	32,087,078	87,187,599	63,801,633
Currency	320,742	312,232	1,894,929	2,527,903	2,116,247
Interest rate	34,468,406	18,966,536	30,014,681	83,449,623	61,192,473
Index	1,804	331	3,237	5,372	246,295
Equities	41,670	353,658	74,592	469,920	63,156
Commodities	12,682	5,811	-	18,493	-
Federal government bonds	-	-	-	-	744
Other	597,266	19,383	99,639	716,288	182,718
Short position	35,442,570	19,657,951	32,087,078	87,187,599	63,801,633
Currency	1,754,451	218,693	2,013,431	3,986,575	10,766,256
Interest rate	33,125,729	19,090,701	28,772,219	80,988,649	46,826,281
Index	66,324	64,369	966,707	1,097,400	4,078,690
Equities	32,840	283,515	72,165	388,520	1,499
Commodities	66,152	-	-	66,152	-
Federal government bonds	-	-	-	-	744
Other	397,074	673	262,556	660,303	2,128,163
Credit Derivatives					
Long position	49,614	231,532	1,330,813	1,611,959	543,617
Sovereign	33,076	214,994	1,209,093	1,457,163	505,160
Corporate	16,538	16,538	121,720	154,796	38,457
Short position	-	-	-	-	93,048
Sovereign	-	-	-	-	11,570
Corporate	-	-	-	-	81,478
Non-deliverable forward - NDF					
Long position	25,578,820	7,378,374	9,105,084	42,062,278	41,500,091
Currency	19,037,949	308,196	252,926	19,599,071	20,355,769
Commodities	3,648,756	3,169,141	8,851,963	15,669,860	21,028,246
Federal government bonds	2,892,115	3,901,037	195	6,793,347	-
Interest rate	-	-	-	-	116,076
Short position	25,578,820	7,378,374	9,105,084	42,062,278	41,500,091
Currency	20,593,769	4,097,733	184,809	24,876,311	16,402,183
Commodities	3,648,756	3,169,141	8,851,963	15,669,860	21,028,246
Federal government bonds	66,103	-	-	66,103	-
Interest rate	1,270,192	111,500	68,312	1,450,004	4,069,662
Deliverable forward - DF					
Long position	19,785,126	3,067,166	857,843	23,710,135	11,921,236
Currency	19,785,126	3,067,166	857,843	23,710,135	11,921,236

## BANCO BTG PACTUAL S.A. and subsidiaries

### Notes to the consolidated financial statements

June 30, 2017

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	30/06/2017				31/12/2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	19,785,126	3,067,166	857,843	23,710,135	11,921,236
Currency	19,785,126	3,067,166	857,843	23,710,135	11,921,236
Security forwards					
Long position	586,471	-	419,784	1,006,255	210,070
Government bonds	586,471	-	419,784	1,006,255	210,070
Short position	586,471	-	419,784	1,006,255	210,070
Interest rate	586,471	-	419,784	1,006,255	210,070
Options market					
Call option - long position	26,420,136	7,737,988	95,503	34,253,627	14,294,032
Equities	248,424	79,797	29,366	357,587	411,248
Index	102	-	-	102	-
Currency	7,683,928	843,212	-	8,527,140	7,849,901
Interest rate	11,320,113	-	-	11,320,113	5,957,476
Other	7,167,569	6,814,979	66,137	14,048,685	75,407
Put option - long position	37,889,275	10,909,210	2,545,463	51,343,948	24,313,372
Equities	80,040	70,311	412,929	563,280	878,183
Index	100	-	-	100	3,818
Currency	11,756,476	942,899	-	12,699,375	7,984,634
Interest rate	11,914,000	9,896,000	-	21,810,000	15,112,500
Other	14,138,659	-	2,132,534	16,271,193	334,237
Call option - short position	9,997,574	12,419,356	114,317	22,531,247	9,989,808
Equities	103,236	161,282	48,180	312,698	255,232
Index	85	194	-	279	-
Currency	7,978,995	844,675	-	8,823,670	9,570,051
Interest rate	1,915,258	-	-	1,915,258	-
Other	-	11,413,205	66,137	11,479,342	164,525
Put option - short position	36,963,868	10,890,843	2,132,862	49,987,573	22,975,619
Equities	56,424	57,394	11,099	124,917	201,889
Index	95	63	-	158	4,257
Currency	10,330,652	941,386	-	11,272,038	7,072,728
Interest rate	12,151,200	9,892,000	-	22,043,200	15,106,000
Other	14,425,497	-	2,121,763	16,547,260	590,745

### b. By cost and market value

	30/06/2017					31/12/2016
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Swaps						
Long position	589,246	922,858	128,796	146,316	647,746	942,948
Short position	912,860	1,296,007	314,731	138,953	842,323	1,236,207
Credit derivatives						
Long position	92,516	92,516	747	13,788	77,981	16,245
Short position	12,071	12,071	-	12,071	-	1,065
Non-deliverable forward - NDF						
Long position	3,382,410	2,911,586	999,575	598,419	1,313,592	3,498,253
Short position	2,281,018	1,807,560	256,550	463,076	1,087,934	1,975,584

## BANCO BTG PACTUAL S.A. and subsidiaries

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	30/06/2017					31/12/2016
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Deliverable forward - DF						
Long position	8,815,652	8,815,650	8,230,004	272,215	313,431	5,815,375
Short position	8,824,554	8,824,553	8,241,993	270,519	312,041	5,869,432
Security forwards						
Long position	1,006,021	1,030,529	610,764	-	419,765	209,875
Short position	1,005,913	1,023,668	604,006	-	419,662	209,978
Options market						
Long position	1,243,342	1,331,659	1,225,106	65,112	41,441	1,427,627
Short position	397,171	380,286	312,106	60,808	7,372	352,611
<b>Long position</b>	<b>15,138,179</b>	<b>15,113,790</b>	<b>11,194,992</b>	<b>1,104,842</b>	<b>2,813,956</b>	<b>11,910,323</b>
<b>Short position</b>	<b>13,460,662</b>	<b>13,371,220</b>	<b>9,729,386</b>	<b>972,502</b>	<b>2,669,332</b>	<b>9,644,877</b>

### c. Notional by counterparty

	30/06/2017					31/12/2016
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	115,761,010	325,901	1,497,458	-	117,584,369	81,712,301
Short position	18,031,389	2,446,496	1,322,833	-	21,800,718	18,262,714
Swap						
Long position	-	86,964,301	223,298	-	87,187,599	63,801,633
Short position	-	86,964,301	223,298	-	87,187,599	63,801,633
Credit derivatives						
Long position	-	1,611,959	-	-	1,611,959	543,617
Short position	-	-	-	-	-	93,048
Non-deliverable forward - NDF						
Long position	54,675	26,337,381	15,670,222	-	42,062,278	41,500,091
Short position	54,675	26,337,381	15,670,222	-	42,062,278	41,500,091
Deliverable forward - DF						
Long position	203,679	23,506,308	148	-	23,710,135	11,921,236
Short position	203,679	23,506,308	148	-	23,710,135	11,921,236
Security forwards						
Long position	-	1,006,255	-	-	1,006,255	210,070
Short position	-	1,006,255	-	-	1,006,255	210,070
Options market						
Long position	33,113,259	51,992,292	120,802	371,222	85,597,575	38,607,404
Short position	24,244,458	48,155,543	1,190	117,629	72,518,820	32,965,427
<b>Long position</b>	<b>149,132,623</b>	<b>191,744,397</b>	<b>17,511,928</b>	<b>371,222</b>	<b>358,760,170</b>	<b>238,296,352</b>
<b>Short position</b>	<b>42,534,201</b>	<b>188,416,284</b>	<b>17,217,691</b>	<b>117,629</b>	<b>248,285,805</b>	<b>168,754,219</b>

(i) Includes investments funds.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### d. Credit derivatives

	30/06/2017	31/12/2016
Credit swap		
Transferred risk		
Sovereign	1,457,163	505,161
Corporate	154,796	38,457
Risk received		
Sovereign	-	(11,570)
Corporate	-	(81,478)
	1,611,959	450,570

During the semester ended June 30, 2017 and year ended December 31, 2016, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at June 30, 2017 is R\$72,391 (December 31, 2016 – R\$64,237).

### e. Guarantee margins

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$3,333,143 (December 31, 2016 – R\$4,310,566) and shares in the amount of R\$102,689 (December 31, 2016 – R\$422,913).

### f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on B3 S.A., Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).



## BANCO BTG PACTUAL S.A. and subsidiaries

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- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by B3 S.A. Fund quotas are valued based on quota prices disclosed by the custodian.
- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

### 10.Loans

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

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

Loans and other operations with credit characteristics are as follows:

#### a. Loans

##### i. By type of credit

Type of credit	30/06/2017		31/12/2016	
	Balance	Allowance	Balance	Allowance
Loans	7,895,277	(942,022)	6,455,431	(500,124)
Financing	947,753	(67,460)	874,382	(67,174)
FINAME/BNDES	2,740,073	(13,537)	2,643,849	(13,018)
Securities financing	230,240	-	107,164	-
Transferred loans with co-obligations (i)	352,875	(18,198)	12,848	-
Total	12,166,218	(1,041,217)	10,093,674	(580,316)

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

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

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### ii. By risk level and maturity

Risk level	30/06/2017						31/12/2016	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	144	1,305,869	279,323	2,649,228	4,234,564	-	2,711,793	-
A	139	110,257	390,277	2,868,300	3,368,973	(17,391)	3,189,097	(15,450)
B	168	96,542	413,132	547,739	1,057,581	(10,574)	1,144,936	(11,326)
C	12,840	914,736	45,403	228,702	1,201,681	(50,748)	1,181,838	(49,535)
D	54,069	147,832	61,171	1,024,998	1,288,070	(167,823)	1,165,941	(156,310)
E	39,782	3,515	2,844	17,854	63,995	(19,198)	496,730	(190,354)
F	408,513	4,147	4,976	16,100	433,736	(257,865)	89,915	(48,324)
G	-	-	-	-	-	-	14,694	(10,287)
H	455,635	22,167	30,649	9,167	517,618	(517,618)	98,730	(98,730)
Total	971,290	2,605,065	1,227,775	7,362,088	12,166,218	(1,041,217)	10,093,674	(580,316)

### iii. By activity sector

Sector	30/06/2017	31/12/2016
Commerce	798,209	234,416
Industry	416,312	331,499
Services	9,491,961	8,486,428
Rural	291,235	186,410
Individuals	1,168,501	854,921
Total	12,166,218	10,093,674

### b. Other receivables with loans characteristics and transferred loan

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

#### i. By risk level and maturity

Risk level	30/06/2017						31/12/2016	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	40	37	267	344	-	277	-
B	9	514	495	2,086	3,104	(31)	-	-
C	44,747	-	30,301	5	75,053	(2,252)	83,612	(2,547)
D	-	-	-	-	-	-	44,776	(4,473)
E	-	-	-	41,820	41,820	(15,255)	-	-
F	-	-	-	22,162	22,162	(11,080)	-	-
H	315	-	-	-	315	(315)	362	(362)
Total	45,071	554	30,833	66,340	142,798	(28,933)	129,027	(7,382)

## BANCO BTG PACTUAL S.A. and subsidiaries

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### ii. By activity sector

Sector	30/06/2017	31/12/2016
Industry	315	362
Services	142,483	128,665
Total	142,798	129,027

### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	30/06/2017					31/12/2016		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	35,595	-	-	35,595	-	64,494	-
A	-	-	-	-	-	-	16,331	(82)
C	-	65,116	48,954	-	114,070	(3,588)	48,182	(1,473)
D	-	3,616	14,956	-	18,572	(1,910)	67,113	(8,380)
E	-	11,544	5,250	-	16,794	(5,274)	-	-
H	20,886	-	-	-	20,886	(20,886)	20,886	(20,886)
Total	20,886	115,871	69,160	-	205,917	(31,658)	217,006	(30,821)

#### ii. By activity sector

Sector	30/06/2017	31/12/2016
Industry	52,027	62,097
Services	153,890	154,909
Total	205,917	217,006

### d. Credit concentration

	30/06/2017	%	31/12/2016	%
Largest debtors				
10 largest debtors	6,205,295	50%	5,535,513	53%
20 following largest debtors	2,109,598	17%	1,782,333	17%
50 following largest debtors	1,953,446	16%	1,632,127	16%
100 following largest debtors	1,550,348	12%	1,115,806	11%
200 following largest debtors	658,479	5%	351,508	3%
500 following largest debtors	32,705	0%	21,488	0%
Above 500 following largest debtors	5,062	0%	932	0%
Total	12,514,933	100%	10,439,707	100%

## BANCO BTG PACTUAL S.A. and subsidiaries

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### e. Allowance

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

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Opening balances	(1,306,417)	(2,242,325)	(835,069)	(2,288,630)
Reversal/(accrual) of allowance	(63,880)	88,193	(175,252)	(43,147)
Allowance from acquired / sale entity	-	-	-	1,210
Renegotiation/recovery of credits written off to loss	-	-	(369,084)	-
Exchange rate variation	15,608	160,060	13,328	302,255
Credits written off as loss	41,893	693,561	53,281	727,801
Closing balances	<u>(1,312,796)</u>	<u>(1,300,511)</u>	<u>(1,312,796)</u>	<u>(1,300,511)</u>
Breakdown of closing balances				
Allowance for loan losses	(1,041,217)	(1,024,629)	(1,041,217)	(1,024,629)
Allowance for other receivables (Note 10 (b))	(28,933)	(10,613)	(28,933)	(10,613)
Allowance for advances on foreign exchange contracts	(31,658)	(34,773)	(31,658)	(34,773)
Allowance for guarantes (Note 16)	(210,988)	(230,496)	(210,988)	(230,496)
	<u>(1,312,796)</u>	<u>(1,300,511)</u>	<u>(1,312,796)</u>	<u>(1,300,511)</u>

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

As at June 30, 2017, the amount of R\$1,369,369 were due to credit renegotiation (December 31, 2016 – R\$1,230,379). Also in the semester ended June 30, 2017 there were R\$131,687 written off loans recovered (December 31, 2016 – R\$50,605).

## 11. Other receivables/obligations

### a. Foreign Exchange portfolio

	30/06/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	4,802,295	4,472,431	3,914,364	10,531,068
Rights on foreign exchange sales	4,584,695	-	10,781,197	-
(-) Advances on foreign exchange contracts (Note 10 (c))	2,325	(203,592)	1,498	(215,508)
(-) Advances in foreign currency received	(66,615)	-	(326)	-
(-) Advances in local currency received	(72)	-	(1,280)	-
Liability for foreign exchange purchase	-	4,821,151	-	4,026,204
Total	<u>9,322,628</u>	<u>9,089,990</u>	<u>14,695,453</u>	<u>14,341,764</u>
Current	9,322,628	9,089,990	14,695,453	14,341,764
Long-term	-	-	-	-

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Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$283,049 (December 31, 2016 - R\$108,690).

### b. Securities trading and brokerage

	30/06/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	209,490	204,047	868,149	392,195
Unsettled financial assets / liabilities	6,623	6,663	8,624	13,476
Pending settlement	2,554,272	1,773,207	1,875,932	1,320,974
Creditors for stock loans	-	673,887	-	1,276,467
Other securities trading and brokerage	117,196	2,769,463	38,105	1,098,377
Commissions and brokerage payable	-	219	-	469
Swap brokerage	120	-	113	-
Total	<u>2,887,701</u>	<u>5,427,486</u>	<u>2,790,923</u>	<u>4,101,958</u>
Current	2,887,701	5,427,486	2,790,923	4,101,958
Long-term	-	-	-	-

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

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

## 12. Other receivables

### a. Income receivable

	30/06/2017	31/12/2016
Dividends and bonus	10,028	17,493
Receivables from services rendered	517,453	536,294
Management and performance fees for investment funds and portfolio	296,686	290,405
Distribution fees	3,170	3,105
Commissions on guarantees	25,569	13,908
Total	<u>852,906</u>	<u>861,205</u>
Current	763,503	668,728
Long-term	89,403	192,477

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### b. Sundry

	30/06/2017	31/12/2016
Deferred tax assets - income and social contribution (note 18)	4,822,146	4,463,246
Deferred tax assets - Others	113,844	97,360
Sundry (i)	3,112,569	3,315,871
Held for sale (ii)	3,427,828	1,781,685
Judicial deposits	1,812,608	1,739,441
Taxes recoverable to offset	886,601	711,826
Tax incentive options	1,319	1,319
Securities and credits receivable		
With loan characteristics (note 10 b)	142,798	129,027
Without loan characteristics (iii)	706,901	548,358
Investment properties	753,937	780,447
Salaries advances	30,818	19,829
Advance to suppliers	780,478	514,152
Other	131,079	14,494
Total	16,722,926	14,117,055
Current	8,094,312	5,149,017
Long-term	8,628,614	8,968,038

(i) Includes receivables from sale of investmets.

(ii) On June 30, 2017, refers to an investment transferred, with sale expected to occur on the short term.

(iii) On June 30, 2017, the line above has allowance losses of R\$28,933 (December 31, 2016 – R\$75,270), registered in “Other receivables - Allowance for losses in other receivables”.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### 13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities							
	Shareholders' Equity		Net income (loss)				Interest	
			Quarter ended:		Semester ended:			
	30/06/2017	31/12/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	31/12/2016
In Brazil								
Banco Pan S.A.	3,460,210	3,412,162	42,794	(128,366)	46,463	(224,468)	40.35%	40.35%
Warehouse 1 Empreendimentos Imobiliários S.A.	34,903	29,758	5,145	673	5,145	673	35.00%	35.00%
Max Casa XIX Empreendimentos Imobiliários S.A.	2,298	2,679	49	5,075	49	2,767	50.00%	50.00%
ACS Omicron Empreendimentos Imobiliários S.A.	6,090	5,705	1,506	656	1,506	817	44.74%	44.74%
Pan Seguros S.A.	643,118	650,611	6,016	52,888	14,715	63,617	51.00%	51.00%
Pan Corretora S.A.	74,013	67,612	2,521	2,994	6,401	5,566	51.00%	51.00%
Abroad								
BTG Pactual Holding S.A.R.L.	-	4,373,293	-	121,368	-	(35,220)	0.00%	40.00%
Maybroke Holding S.A.	-	984,727	-	12,908	-	18,402	0.00%	50.00%
Engelhart CTP Group S.A.	3,396,508	4,565,815	(468,580)	-	(174,922)	-	20.97%	30.06%
EFG International (i)	6,903,600	6,411,200	-	-	-	-	30.00%	30.00%

(i) EFG International preliminary information, determined on sale date of BSI, as described on note 2.

## BANCO BTG PACTUAL S.A. and subsidiaries

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	Changes in investments						30/06/2017	Equity in earnings of associates from 30/06/2016
	31/12/2016	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Fair value adjustment	Exchange variation	Equity in earnings of subsidiaries		
In Brazil								
Banco Pan S.A.	1,283,326	-	-	833	-	18,160	1,302,319	(90,579)
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-	-	(56,884)	-
Warehouse 1 Empreendimentos Imobs S.A.	10,414	-	-	-	-	1,801	12,215	(3,226)
Max Casa XIX Empreendimentos Imobs S.A.	1,340	-	(500)	-	-	25	865	(1,011)
ACS Omicron Empreendimentos Imobs S.A.	2,553	-	-	-	-	674	3,227	183
BTG Pactual Vivere Participações S.A.	-	-	-	-	-	-	-	5,022
Pan Corretora S.A.	34,482	-	-	-	-	3,265	37,747	2,839
Pan Seguros S.A.	331,808	-	(11,498)	172	-	7,505	327,987	7,842
Other	6,018	282	-	-	-	(384)	5,916	-
<b>Total</b>	<b>1,613,057</b>	<b>282</b>	<b>(11,998)</b>	<b>1,005</b>	<b>-</b>	<b>31,046</b>	<b>1,633,392</b>	<b>(78,930)</b>
Abroad								
BTG Pactual Holding S.A.R.L. (i)	1,749,318	(1,696,276)	(164,554)	-	32,685	78,827	-	(776,733)
Maybroke Holding S.A. (i)	494,809	(485,733)	-	-	(20,798)	11,722	-	(96,913)
Engelhart CTP Group S.A. (ii)	1,372,257	(626,765)	-	-	(1,902)	(22,327)	721,263	-
EFG International (ii) (iii)	1,923,361	1,940	-	-	147,679	-	2,072,980	-
Goodwill - EFG International (ii)	999,339	162,451	-	-	73,505	(64,616)	1,170,679	-
Other non-consolidated BSI entities	-	-	-	-	-	-	-	6,238
	<b>6,539,084</b>	<b>(2,644,383)</b>	<b>(164,554)</b>	<b>-</b>	<b>231,169</b>	<b>3,606</b>	<b>3,964,922</b>	<b>(867,408)</b>
<b>Total</b>	<b>8,152,141</b>	<b>(2,644,101)</b>	<b>(176,552)</b>	<b>1,005</b>	<b>231,169</b>	<b>34,652</b>	<b>5,598,314</b>	<b>(946,338)</b>



## BANCO BTG PACTUAL S.A. and subsidiaries

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

(ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities.

(iii) It was not possible to determine the amount related to the equity pick-up in the Company's investment in EFG during the semester ended June 30, 2017. BTG Pactual will recognize the results of its participation in the investee periodically, at least every six months, whenever the information is publicly disclosed by the company.

## 14. Intangible assets

	Changes in Intangible assets					30/06/2017
	31/12/2016	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Goodwill	<b>192,285</b>	<b>16,397</b>	-	<b>(81,871)</b>	<b>(13,432)</b>	<b>113,379</b>
Cost	963,916	16,397	-	-	22,235	1,002,548
Amortization	(771,631)	-	-	(81,871)	(35,667)	(889,169)
Other intangible assets	<b>174,450</b>	<b>25,329</b>	<b>(3)</b>	<b>(20,559)</b>	<b>1,470</b>	<b>180,687</b>
Cost	336,540	76,543	(3)	-	3,120	416,200
Amortization	(162,090)	(51,214)	-	(20,559)	(1,650)	(235,513)
Total	<u>366,735</u>	<u>41,726</u>	<u>(3)</u>	<u>(102,430)</u>	<u>(11,962)</u>	<u>294,066</u>

The intangible assets amortization period is 5 years.

## 15. Fund raising and loans and onlending

### a. Summary

	30/06/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	8,537,174	4,555,101	3,132,549	97,262	752,262	-	7,690,817
Open market funding	32,800,636	29,551,945	2,145,457	1,014,881	-	88,353	24,903,973
Funds from securities issued and accepted	8,941,752	1,555,207	2,035,413	3,557,865	1,022,522	770,745	10,335,702
Loans and onlending	3,874,678	771,862	285,812	355,745	158,701	2,302,558	3,544,822
Subordinated debts and subordinated debt eligible to equity	11,175,336	-	1,265,250	2,799,982	1,286,721	5,823,383	11,588,192
Total	<u>65,329,576</u>	<u>36,434,115</u>	<u>8,864,481</u>	<u>7,825,735</u>	<u>3,220,206</u>	<u>8,985,039</u>	<u>58,063,506</u>

## BANCO BTG PACTUAL S.A. and subsidiaries

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### b. Deposits

	30/06/2017						31/12/2016
		Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	
	Total						Total
Demand deposits	96,182	96,182	-	-	-	-	128,552
Interbank deposits	326,150	215,055	70,933	38,043	2,119	-	226,135
Time deposits (i)	8,114,842	4,243,864	3,061,616	59,219	750,143	-	7,336,130
Total	8,537,174	4,555,101	3,132,549	97,262	752,262	-	7,690,817

- (i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. The deposits were indexed to interest referenced rates (CDI) between 100% p.a and 120% p.a.

On December 4, 2015 a Memorandum of Understanding with the Fundo Garantidor de Créditos – FGC was executed to extend a credit line up to the amount of R\$6.0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personal guarantee by the controlling shareholders (Top Seven Partners); such collateral represent 120% of the credit line. On October 19, 2016, the financial assistance line obtained from FGC, had been fully paid.

### c. Open market funding

Open market funding has collateral on the following securities:

	30/06/2017						31/12/2016
		Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	
	Total						Total
Own Portfolio	7,814,060	6,220,420	1,593,640	-	-	-	7,793,086
Federal government bonds	4,462,475	4,462,475	-	-	-	-	4,954,568
Corporate securities	2,052,503	1,323,956	728,547	-	-	-	2,694,044
Foreign government bonds	1,299,082	433,989	865,093	-	-	-	144,474
Third-party portfolio	22,861,301	22,860,346	955	-	-	-	12,967,472
Federal government bonds	22,789,969	22,789,014	955	-	-	-	12,894,050
Corporate bonds	24,345	24,345	-	-	-	-	50,747
Foreign government bonds	46,987	46,987	-	-	-	-	22,675
Unrestricted portfolio (i)	2,125,275	471,179	550,862	1,014,881	-	88,353	4,143,415
Federal government bonds	1,976,783	322,687	550,862	1,014,881	-	88,353	4,054,539
Foreign government bonds	148,492	148,492	-	-	-	-	88,876
Total	32,800,636	29,551,945	2,145,457	1,014,881	-	88,353	24,903,973

- (i) From the unrestricted portfolio, R\$1,113,251 (December 31, 2016 – R\$3,730,531) refers to short position and R\$1,012,024 (December 31, 2016 – R\$412,884) to third-party portfolio.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### d. Funds from securities issued and accepted

	30/06/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	6,431,303	1,277,123	1,935,133	2,096,917	1,010,119	112,011	7,841,631
Financial bills	5,071,202	881,447	1,353,845	1,724,607	999,292	112,011	6,865,263
Mortgage bonds/letters of credit for agribusiness	1,276,777	387,488	555,323	323,139	10,827	-	964,695
Certificates of structured transactions	83,324	8,188	25,965	49,171	-	-	11,673
Securities – abroad	2,510,449	278,084	100,280	1,460,948	12,403	658,734	2,494,071
Medium term notes (i)	2,408,775	256,554	58,568	1,434,919	-	658,734	2,351,264
Fixed rate notes and others	101,674	21,530	41,712	26,029	12,403	-	142,807
Total	<u>8,941,752</u>	<u>1,555,207</u>	<u>2,035,413</u>	<u>3,557,865</u>	<u>1,022,522</u>	<u>770,745</u>	<u>10,335,702</u>

(i) During the semester ended June 30, 2017, gains in the amount of R\$3,008 (December 31, 2016 – R\$203,764) were recognized by the Bank, as a result of notes acquired below par.

As at June 30, 2017, securities in Brazil were basically indexed to interest referenced rates (CDI) between 88% and 115% or inflation indexes (IPCA and IGPM) plus 1,0% p.a. to 8,0% p.a. (December 31, 2016 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a.).

On June 30, 2017, securities abroad have rates between 1.5% p.a. and 8.0% p.a. (December 31, 2016 – between 1.45% p.a. and 8% p.a.).

### e. Loans and onlending

	30/06/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	1,030,925	762,206	59,911	208,808	-	-	768,480
Foreign currency	101,831	41,920	59,911	-	-	-	63,552
Loans abroad	929,094	720,286	-	208,808	-	-	704,928
Loans - Brazil	156,385	-	156,385	-	-	-	163,771
Loans	156,385	-	156,385	-	-	-	163,771
Onlending in Brazil	2,687,368	9,656	69,516	146,937	158,701	2,302,558	2,612,571
FINAME/BNDES	2,687,368	9,656	69,516	146,937	158,701	2,302,558	2,612,571
Total	<u>3,874,678</u>	<u>771,862</u>	<u>285,812</u>	<u>355,745</u>	<u>158,701</u>	<u>2,302,558</u>	<u>3,544,822</u>

On June 30, 2017, securities abroad have rates between 1.0% p.a. and 6.4% p.a. (December 31, 2016 – between 0.25% p.a. and 6.4% p.a.).

## BANCO BTG PACTUAL S.A. and subsidiaries

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

		30/06/2017				31/12/2016
Type - original currency	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	5,330,090	5,842,192
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,467,348	1,440,798
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	4,377,898	4,305,202
<b>Total</b>					<b>11,175,336</b>	<b>11,588,192</b>

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) During the semester ended June 30, 2017, gains in the amount of R\$374 (December 31, 2016 – R\$43.619) were recognized by the Bank, as a result of own notes acquired below par.

## 16. Other obligations

### a. Social and statutory

	30/06/2017	31/12/2016
Dividends and profit sharing payable	634,365	894,208
Employees' profit sharing	235,045	307,640
Other benefits	118,831	255,705
<b>Total</b>	<b>988,241</b>	<b>1,457,553</b>
Current	988,241	1,457,553
Long term	-	-

### b. Tax and social security

	30/06/2017	31/12/2016
Tax and contributions to be collected	85,394	282,360
Tax and contribution payable	172,689	98,144
Deferred social contribution and income tax (Note 18)	123,716	78,535
Deferred PIS and COFINS	-	5,429
Suspended-payment taxes and others tax liabilities (Note 17 (c))	1,669,558	1,623,739
<b>Total</b>	<b>2,051,357</b>	<b>2,088,207</b>
Current	262,286	326,911
Long term	1,789,071	1,761,296

## BANCO BTG PACTUAL S.A. and subsidiaries

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### c. Sundry

	30/06/2017	31/12/2016
Payable for acquisition of assets and rights (i)	1,148,102	1,084,923
Accounts payable - personnel	521,496	183,765
Provision for contingent liabilities (Note 17(c))	349,041	442,505
Other creditors - Brazil	2,186,003	1,809,643
Other creditors - Abroad	26,153	192,482
Allowance for guarantees (Note 10(e))	210,988	216,404
Obligations related to transferred loans	6,318	15,321
Other	844	42,623
Total	4,448,945	3,987,666
Current	902,733	1,830,505
Long term	3,546,212	2,157,161

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

## 17. Contingent assets and liabilities and legal obligations

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

### a. Contingent assets

As at June 30, 2017 and December 31, 2016, the Bank did not record contingent assets.

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

#### i. Labor provisions

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

#### ii. Civil provisions

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

## BANCO BTG PACTUAL S.A. and subsidiaries

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### iii. Tax and social security provisions

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

### c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at June 30, 2017 are appropriate to cover probable losses arising therefrom.

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

	30/06/2017				30/06/2016
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the semester	1,623,739	407,496	35,009	2,066,244	2,355,783
Recognition	64,842	38,739	10,563	114,144	736,477
Write-off	(19,023)	(140,910)	(1,856)	(161,789)	(319,597)
Balance at the end of the semester	1,669,558	305,325	43,716	2,018,599	2,772,663
Suspended-payment taxes (Note 16 (b))				1,669,558	1,714,900
Other contingencies and Provision for contingent liabilities (Note 16 (c))				349,041	1,057,763

The nature of the main provisions is presented below:

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

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

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

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

CSLL ("Social contribution tax") - Challenge of CSLL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

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

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As at June 30, 2017, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$955 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$21 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- In October 2012, we received a tax assessment, which in June 30, 2017 totaled R\$2,406 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,887 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

### **ii. Provision for other contingent liabilities**

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

## BANCO BTG PACTUAL S.A. and subsidiaries

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### 18. Income tax and social contribution

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

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
<b>Income tax and social contribution</b>				
Tax base	(376,365)	1,103,448	622,135	2,702,186
Income before taxes and profit sharing	315,361	1,937,676	1,497,009	3,932,748
Statutory profit sharing	(61,726)	(334,228)	(251,098)	(730,562)
Interest on equity	(630,000)	(500,000)	(623,776)	(500,000)
Total charge of income tax and social contribution at the current rates	(133,080)	(496,600)	(284,405)	(1,216,032)
Permanent (additions) / deductions in taxation calculation	259,829	(484,577)	57,331	(533,172)
Equity pick up in associated and jointly controlled companies in Brazil	417,982	140,568	191,836	378,077
Income/(loss) of foreign exchange on foreign investments	-	(417,940)	-	(700,074)
Foreign earnings	(131,260)	53,028	(125,956)	283,176
Dividends	12,747	10,600	14,305	53,670
Other Permanent (additions) / deductions	(39,640)	(270,833)	(22,854)	(548,021)
Temporary (additions) / deductions on the taxation calculation	(495,695)	762,425	451,509	1,135,140
Reversal of provision for goodwill on the acquisition of investments	4,213	34,030	8,425	68,060
Interest on equity	(283,500)	(225,000)	117,000	(225,000)
Fair value of securities and derivatives	(168,926)	1,007,629	343,744	1,424,755
Allowance for loan losses	(29,089)	8,681	(49,593)	(61,485)
Tax contingencies and provision for suspended-payment taxes	3,688	(210)	2,703	(210)
Other provisions	(22,081)	(62,705)	29,230	(70,980)
Increase in CSLL - 5%	(5,171)	-	-	-
Offset of tax losses carry forward - Brazil	100,404	21,536	(519,878)	22,661
Tax and social contribution expense	<u>(273,713)</u>	<u>(197,216)</u>	<u>(295,443)</u>	<u>(591,403)</u>
Temporary differences				
Recognition / (reversal) of the quarter / semester	496,807	(730,078)	(450,375)	(1,134,696)
Recognition on goodwill on investments	(149,400)	-	-	-
Recognition / (reversal) of tax losses carry forward	31,681	38,849	563,811	211,757
Recognition on foreign companies tax losses carry forward	247,881	20,219	298,807	(180,291)
Recognition / (reversal) of loss on investment abroad	41,391	(68,563)	-	79,890
Other temporary differences	(148,151)	328,606	(146,858)	410,641
Expenses from deferred taxes	<u>520,209</u>	<u>(410,967)</u>	<u>265,385</u>	<u>(612,699)</u>
Total revenues / (expenses)	<u>246,496</u>	<u>(608,183)</u>	<u>(30,058)</u>	<u>(1,204,102)</u>



## BANCO BTG PACTUAL S.A. and subsidiaries

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

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

Income tax and social contribution	31/12/2016	Recognition	Realization (i)	30/06/2017
Tax loss	1,380,635	764,407	(107)	2,144,935
Interest on equity	400,500	-	(117,000)	283,500
Allowance for loan losses	878,723	47,670	1,922	928,315
Fair value of securities and derivatives	1,372,210	451,059	(721,537)	1,101,732
Goodwill on the acquisition of investment	16,847	-	(8,425)	8,422
Tax contingencies and provision for suspended-payment taxes	187,143	753	(1,950)	185,946
Other temporary differences	226,853	-	(59,802)	167,051
	<u>4,462,911</u>	<u>1,263,889</u>	<u>(906,899)</u>	<u>4,819,901</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	335	1,910	-	2,245
Total	<u>4,463,246</u>	<u>1,265,799</u>	<u>(906,899)</u>	<u>4,822,146</u>
Income tax and social contribution	31/12/2015	Recognition	Realization (i)	30/06/2016
Tax loss carryforwards	827,919	292,258	(290,058)	830,119
Interest on equity	-	225,000	-	225,000
Allowance for loan losses	837,220	208,516	(147,030)	898,706
Fair value of securities and derivatives	3,042,574	15,301,381	(16,597,598)	1,746,357
Goodwill on the acquisition of investment	150,228	-	(68,060)	82,168
Tax contingencies and provision for suspended-payment taxes	183,844	-	-	183,844
Other temporary differences	572,337	573,663	(10,771)	1,135,229
	<u>5,614,122</u>	<u>16,600,818</u>	<u>(17,113,517)</u>	<u>5,101,423</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(11,035)	3,010
Others	107,160	-	-	107,160
Total	<u>5,735,327</u>	<u>16,600,818</u>	<u>(17,124,552)</u>	<u>5,211,593</u>

(i) On June 30, 2017, the amount of R\$298,807 (December 31, 2016 – R\$388,700), refers to recovery paid taxes from investments abroad.

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

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2017	1,184,534	193,583	1,378,117
2018	1,245,023	485,647	1,730,670
2019	-	930,929	930,929
2020	-	465,793	465,793
2021 onwards	231,240	85,397	316,637
Total	<u>2,660,797</u>	<u>2,161,349</u>	<u>4,822,146</u>
Present value	<u>2,379,811</u>	<u>1,740,952</u>	<u>4,120,763</u>

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

Notes to the consolidated financial statements

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As at June 30, 2017 tax credits in the amount of R\$823,971 (December 31, 2016 – R\$900,948), from tax losses calculated between the period of 1993 and 2010, were not recorded on the subsidiary, Banco Sistema S.A. (formerly named Banco Bamerindus do Brasil S.A.). These tax credits will be registered, when they attend regulatory aspects and demonstrate realization perspective, in accordance with the management studies and analysis and BACEN standards.

Deferred income tax and social contribution liabilities amounts to R\$123,716 (December 31, 2016 - R\$78,535), according to note 16(b).

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

### **19.Shareholders equity**

#### **a. Capital**

As at June 30, 2017, fully subscribed and paid in capital consists of 2,730,250,371 shares (December 31, 2016 – 2,778,465,411), of which 1,762,281,522 common shares (December 31, 2016 – 1,778,353,202), 518.612.510 class A preferred shares (December 31, 2016 – 550,755,870), 449,356,339 class B preferred shares (December 31, 2016 – 449,356,339), registered shares.

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

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

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

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

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

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### **b. Treasury shares**

During the semester ended June 30, 2017, the Bank bought own units according to approved repurchase program, in the amount of R\$215,281 (December 31, 2016 - R\$593,285), equivalent to 14,940,980 units (December 31, 2016 – 45,827,708). On the semester ended June 30, 2017, there were R\$199,560, equivalent to 16,071,680 units cancelled (December 31, 2016 – 39,930,808 units, in the amount of R\$654.845).

### **c. Legal reserve**

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

### **d. Statutory reserve**

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

### **e. Unrealized income reserve**

Established considering undistributed dividends obtained in foreign branch.

### **f. Profit distribution**

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

As at June 30, 2017 the Bank has accrued R\$630,000 (June 30, 2016 - R\$500,000), relating to interest on equity, equivalent to R\$0.23 (June 30, 2016 - R\$0.19) per share, which generated R\$283,500 (June 30, 2017 - R\$225,000) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017.

As at December 29, 2016 the Bank has accrued R\$890,000, relating to interest on equity, equivalent to R\$0.32 per share, which generated R\$400,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 29, 2016, and the payment occurred on January 12, 2017.

## BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

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### g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income			
	30/06/2017	31/12/2016	Quarter ended:		Semester ended:	
			30/06/2017	30/06/2016	30/06/2017	30/06/2016
<b>Banco BTG Pactual S.A.</b>	18,024,842	17,672,754	124,250	1,003,209	996,881	2,011,719
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (i)	54,465	54,465	-	-	-	-
Others (ii)	-	-	378,308	-	225,744	-
<b>Banco BTG Pactual S.A. Consolidated</b>	<u>18,079,307</u>	<u>17,727,219</u>	<u>502,558</u>	<u>1,003,209</u>	<u>1,222,625</u>	<u>2,011,719</u>

- (i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.
- (ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

## 20. Income from services rendered

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Management and performance fee from investment funds and portfolios	138,551	274,571	266,724	666,921
Brokerage	37,219	126,244	75,476	299,970
Professional services	71,291	172,725	205,687	351,348
Commission over securities placement	33,741	27,460	89,818	59,056
Guarantees	63,178	58,226	123,988	114,453
Other services	3,001	5,597	8,381	8,927
<b>Total</b>	<u>346,981</u>	<u>664,823</u>	<u>770,074</u>	<u>1,500,675</u>

## 21. Other operating income

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Recovery of charges and expenses	5,515	(1,926)	5,802	2,984
Reversal of provision - other	-	-	947	-
Reversal of provision - contingencies	125,667	16,536	140,215	196,056
Monetary correction over judicial deposits	25,187	93,598	67,649	189,051
Foreign exchange rate gains	47,992	100,453	142,095	115,210
Adjustment of amounts receivable for acquisition of investments	50,688	33,224	77,481	128,598
Other operating income	3,105	(229)	45,144	53,101
<b>Total</b>	<u>258,154</u>	<u>241,656</u>	<u>479,333</u>	<u>685,000</u>

## BANCO BTG PACTUAL S.A. and subsidiaries

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### 22. Other operating expenses

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Tax restatement expense	41,296	26,857	48,861	50,021
Foreign exchange rate losses	102,842	253,493	171,803	382,255
Monetary restatement expense	-	1,708	-	3,265
Adjustment of amounts payable for acquisition of investments (i)	33,383	46,804	72,288	106,567
Fair value of assets	(21,325)	-	65,779	-
Goodwill amortization (ii)	40,871	39,285	81,871	83,297
Discounts granted in credit renegotiation	131	14,983	818	15,365
Allowance for other receivables without loan characteristics	10,503	77,265	17,883	106,203
Net expenses of physical commodities	-	(44,375)	-	99,759
Other	11,778	(22,164)	39,009	18,999
Total	<u>219,479</u>	<u>393,856</u>	<u>498,312</u>	<u>865,731</u>

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

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

### 23. Other administrative expenses

	Quarter ended:		Semester ended:	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Outsourced services and consulting	104,897	224,101	184,174	489,076
Telecommunications and data processing	58,224	99,343	107,953	217,787
Leases and condominiums	22,106	41,896	44,769	96,015
Travel and lodging	12,527	15,739	19,817	32,833
Expenses of the financial system	38,039	87,497	66,841	173,451
Advertising and public relations	13,624	14,733	24,212	31,979
Depreciation and amortization	15,993	70,956	32,416	150,243
Other	27,287	15,231	46,204	30,591
Total	<u>292,697</u>	<u>569,496</u>	<u>526,386</u>	<u>1,221,975</u>

### 24. Non-operating expenses / income

Refers basically to the losses/gains from sale of investments or adjustments arising from receivables from investments, as described on note 2.

## BANCO BTG PACTUAL S.A. and subsidiaries

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### 25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
<b>Assets</b>						
Open market investments	-	-	360,003	527,100	360,003	527,100
Interbank investments deposits	-	-	1,100,000	435,000	1,100,000	435,000
Securities	-	-	331,364	237,547	331,364	237,547
Derivative financial instruments	4,951	8,275	8,187	3,658	13,138	11,933
Loans and Receivables	2,122,959	987,295	-	971,297	2,122,959	1,958,592
Sundry	656,256	564,500	-	-	656,256	564,500
<b>Liabilities</b>						
Interbank deposits	(44,889)	(58)	(150,000)	-	(194,889)	(58)
Time deposits	(106,475)	(108,658)	(108,063)	(7,747)	(214,538)	(116,405)
Open market funding	-	-	-	-	-	-
Securities issued abroad	-	-	(1,718,974)	(1,723,067)	(1,718,974)	(1,723,067)
Derivative financial instruments	(471)	(483)	-	(13,399)	(471)	(13,882)
Sundry	-	-	-	(3,658)	-	(3,658)
	Parent company		Subsidiaries and joint controlled entities		Total	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
<b>Statements of income</b>						
Financial income	12,842	74,431	99,407	471,955	112,249	546,386
Financial expenses	(15,632)	(6,887)	(4,276)	(163,175)	(19,908)	(170,062)
Other operating income	(194,103)	-	349	271	(193,754)	271

(i) Includes natural person.

Total compensation paid to key management personnel totaling this period R\$4,970 (June 30, 2016 – R\$2,550) which is considered short term benefit.

### 26. Other information

#### a. Cash and cash equivalents

Balances at beginning of the semester	31/12/2016	31/12/2015
Cash and cash equivalents	674,114	20,490,900
Open market investments	11,360,730	9,073,969
Interbank deposits	1,938,904	8,864,471
Total	13,973,748	38,429,340
Balances of end of the semester	30/06/2017	30/06/2016
Cash and cash equivalents	1,049,060	12,808,184
Open market investments	23,345,659	10,290,056
Interbank deposits	2,268,457	3,527,962
Total	26,663,176	26,626,202

## BANCO BTG PACTUAL S.A. and subsidiaries

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### b. Commitments and responsibilities

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

	30/06/2017	31/12/2016
Co-obligation and risks for guarantees granted	33,670,578	35,969,487
Responsibility for the management of futures and investment portfolio (i)	163,103,267	160,360,167
Securities	27,347,394	33,533,341
Securities under custody	1,108,107,658	1,117,738,333
Securities trading and brokerage	1,098,067,021	1,324,544,222
Loans contract to release	1,128,008	297,675
Commitments to be released	22,300	47,700

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

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

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

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

"Loans contracted to release" register amounts related to loans contracted with clients to release.

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