

Interim Condensed Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

June 30, 2017

with independent auditor's review report on interim condensed consolidated
financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Interim Condensed 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 condensed consolidated financial statements prepared in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.

Independent auditor's review report

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

Introduction

We have reviewed the interim condensed consolidated financial statements of Banco BTG Pactual S.A. and subsidiaries. ("Bank") for the six-month period ended June 30, 2017, which comprise the interim condensed consolidated balance sheet as of June 30, 2017 and the related interim condensed consolidated statements of income and of comprehensive 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 condensed consolidated financial statements in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements 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 condensed consolidated financial statements referred to above have not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.

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.

Restatement

We draw attention to Note 3f to the interim condensed consolidated financial statements, which details the restatement of December 31, 2016 balances related to the presentation of the Bank's receivables and payables on a net basis for its deliverable forward contracts recorded in Derivative Financial Instruments lines in the balance sheet. Our conclusion is not qualified in respect of this matter.



Other matters

Separate financial statements

The Bank has prepared a full set of separate individual financial statements for the six-month period ended 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's report, containing the same emphasis paragraph described above, dated August 1, 2017.

São Paulo, September 21, 2017.

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

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a horizontal line and a small 'u'.

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated balance sheets

As at June 30, 2017 and December 31, 2016

(In thousands of reais)

	Note	30/06/2017	31/12/2016
Assets			
Cash and balances at Central Bank	6	2,655,611	2,637,154
Financial assets at fair value through profit or loss			
Financial assets held for trading	7	19,311,702	18,697,974
Financial assets designated at fair value through profit and loss	7	18,648,487	14,725,208
Derivative financial instruments	7	15,726,738	20,826,619
Loans and receivables			
Open market investments	10	8,868,422	4,201,595
Amounts receivable from banks	11	2,305,568	1,942,576
Other loans and receivables	12	13,227,696	11,710,506
Available-for-sale financial assets	8	110,980	129,932
Held-to-maturity financial assets	13	3,389,051	4,939,003
Non-current assets held for sale	17	3,427,828	2,276,493
Deferred tax assets	22	5,198,098	4,919,258
Other assets	15	12,154,326	11,538,540
Investment in associates and jointly controlled entities	16	3,760,088	6,339,045
Property, plant and equipment		88,601	92,688
Intangible assets	18	1,074,344	1,094,594
Total assets		109,947,540	106,071,185
Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	7	5,068,823	6,020,750
Derivative financial instruments	7	13,955,122	18,424,203
Financial liabilities carried at amortized cost			
Open market funding	10	30,675,361	20,760,558
Amounts payable to banks	11	326,150	226,135
Other financial liabilities carried at amortized cost	14	32,277,484	33,008,091
Tax liabilities	19	2,120,671	2,155,013
Other liabilities	20	8,086,450	7,873,788
Total liabilities		92,510,061	88,468,538
Shareholders' equity	23		
Capital stock		7,275,738	7,275,738
Treasury stock		(86,555)	(70,834)
Capital Reserve		652,515	652,515
Income reserves		5,248,614	5,398,330
Retained earnings		13,787	-
Foreign currency translation reserve		4,195,461	4,222,042
Total shareholders' equity of controlling shareholders		17,299,560	17,477,791
Non-controlling interest		137,919	124,856
Total shareholders' equity		17,437,479	17,602,647
Total liabilities and shareholder's equity		109,947,540	106,071,185

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated statements of income

Semesters ended June 30

(In thousands of reais)

	Note	30/06/2017	30/06/2016
Interest income	25	2,482,641	2,225,404
Interest expense	25	(2,693,189)	(1,765,878)
Net interest income/(expenses)		(210,548)	459,526
Net gains on financial instruments	25	1,800,621	5,364,147
Net exchange variations		246,139	1,538,290
Fees and commissions	26	765,734	820,043
Income from discontinued operations	17	(307,210)	(809,657)
Share of profit in associates and jointly controlled entities	16	(188,867)	(66,040)
Other operating income / (expenses)	27	85,592	510,340
Net revenues		2,191,461	7,816,649
Administrative expenses	28	(505,779)	(693,362)
Personnel expenses	29	(559,306)	(1,409,755)
Provisions for credit losses	12	(213,423)	(601,937)
Tax charges (other than income tax)		(124,018)	(475,722)
Income before taxes and profit sharing		788,935	4,635,873
Income tax and social contribution	22	(108,300)	(680,245)
Net income for the semester		680,635	3,955,628
Net income attributable to controlling shareholders		687,407	3,968,454
Loss attributable to non-controlling interests		(6,772)	(12,826)
Earnings per share –basic and diluted – In Reais	24		
Common shares		0.25	1.46
Preferred shares		0.25	1.46

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated statements of comprehensive income

Semesters ended June 30

(In thousands of reais)

	<u>Note</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
Net income for the semester		680,635	3,955,628
Other comprehensive income/(loss) to be reclassified to profit or loss:			
Changes in fair value of assets available for sale - jointly controlled	23	(1,576)	(2,377)
Changes in fair value of assets available for sale		2,424	(6,247)
Exchange differences on translation of foreign operations and non-monetary items	23	198,315	(2,534,317)
Foreign Investment hedge		(225,744)	-
Total comprehensive income for the semester		<u>654,054</u>	<u>1,412,687</u>
Attributable to controlling shareholders		660,826	1,425,513
Attributable to non-controlling interests		(6,772)	(12,826)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed statement of changes in shareholders' equity

Semesters ended June 30

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

	Note	Capital	Additional paid-in capital	Capital reserve	Income reserves				Other comprehensive income	Treasury shares	Retained earnings	Controlling interests	Non-controlling interests	Total
					Legal	Unrealized	Statutory	Total						
Balances at December 31, 2015		7,128,996	106,742	-	907,770	5,292,808	-	6,200,578	6,712,485	(132,394)	-	20,016,407	229,370	20,245,777
Own shares acquired		-	-	-	-	-	-	-	-	(252,041)	-	(252,041)	-	(252,041)
Own shares sold		-	-	-	-	-	(231,906)	(231,906)	-	231,906	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	23	-	-	-	-	-	-	-	(2,377)	-	-	(2,377)	-	(2,377)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(6,247)	-	-	(6,247)	-	(6,247)
Exchange differences on translation of foreign operations and non-monetary items	23	-	-	-	-	-	-	-	(2,534,317)	-	-	(2,534,317)	-	(2,534,317)
Net income for the semester		-	-	-	-	-	-	-	-	-	3,968,454	3,968,454	(12,826)	3,955,628
Legal reserve		-	-	-	100,586	-	-	100,586	-	-	(100,586)	-	-	-
Interest on equity (R\$0.19 per share)	23	-	-	-	-	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	-	(69,690)	(69,690)
Balances at June 30, 2016		7,128,996	106,742		1,008,356	5,292,808	(231,906)	6,069,258	4,169,544	(152,529)	3,367,868	20,689,879	146,854	20,836,733
Balances at December 31, 2016		7,168,996	106,742	652,515	1,078,199	637,963	3,682,168	5,398,330	4,222,042	(70,834)	-	17,477,791	124,856	17,602,647
Own shares acquired		-	-	-	-	-	-	-	-	(215,281)	-	(215,281)	-	(215,281)
Own shares sold		-	-	-	-	-	(199,560)	(199,560)	-	199,560	-	-	-	-
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	6,224	6,224	-	6,224
Changes in fair value of assets available for sale - jointly controlled	23	-	-	-	-	-	-	-	(1,576)	-	-	(1,576)	-	(1,576)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	2,424	-	-	2,424	-	2,424
Exchange differences on translation of foreign operations and non-monetary items	23	-	-	-	-	-	-	-	198,315	-	-	198,315	-	198,315
Foreign Investment hedge		-	-	-	-	-	-	-	(225,744)	-	-	(225,744)	-	(225,744)
Net income for the semester		-	-	-	-	-	-	-	-	-	687,407	687,407	(6,772)	680,635
Legal reserve		-	-	-	49,844	-	-	49,844	-	-	(49,844)	-	-	-
Interest on equity (R\$0.23 per share)	23	-	-	-	-	-	-	-	-	-	(630,000)	(630,000)	-	(630,000)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	-	19,835	19,835
Balances at June 30, 2017		7,168,996	106,742	652,515	1,128,043	637,963	3,482,608	5,248,614	4,195,461	(86,555)	13,787	17,299,560	137,919	17,437,479

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed 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		680,635	3,955,628
Adjusts to net income		584,147	1,667,966
Equity in the (earnings)/losses of associates	16	188,867	66,040
Interest expense from subordinated debt		532,042	1,478,853
Non-controlling interest		6,772	12,826
Deferred tax		(190,683)	54,867
Permanent assets exchange variation		(14,722)	(51,706)
Depreciation and amortization		61,871	107,086
Adjusted net income for the year		1,264,782	5,623,594
Increase/decrease in operational assets and liabilities			
Financial assets held for trading		(613,728)	(2,899,862)
Financial assets designated at fair value through profit and loss		(3,923,279)	(11,823,239)
Derivative financial instruments - assets		1,908,180	10,205,892
Assets held for sale		16,528	195,216
Open market investments		(1,306,761)	2,914,025
Amounts receivable from / (payable to) banks		62,904	(1,307,172)
Other loans and receivables		(1,517,190)	4,730,337
Held-to-maturity financial assets		1,549,952	(54,497)
Non-current assets held for sale		544,941	(10,683)
Deferred tax assets		(278,840)	550,496
Other assets		(615,786)	11,474,465
Financial liabilities held for trading		(951,927)	3,018,908
Derivative financial instruments - liabilities		(1,538,558)	(12,322,214)
Open market funding		9,914,803	1,891,891
Tax liabilities		156,341	(403,954)
Other liabilities		472,662	(3,018,805)
Cash provided by operating activities		5,145,024	8,764,398
Investing activities			
Sale of investments	16	770,234	13,522
Dividends received	16	176,552	126,886
Acquisition of property and equipment in use		(5,073)	(46,624)
Sale of property and equipment in use		14,260	-
Acquisition of intangible assets	18	(41,726)	(31,924)
Discontinued operations from assets and liabilities		-	2,376,207
Cash provided by investing activities		914,247	2,438,067
Financing activities			
Other liabilities		(1,262,649)	(15,476,022)
Acquisition / sale of treasury shares		(215,281)	(252,041)
Non-controlling interest		13,063	(82,516)
Interest on equity distributed	23	(890,000)	(492,754)
Cash (used in) by financing activities		(2,354,867)	(16,303,333)
Decrease in cash and cash equivalents		3,704,404	(5,100,868)
Balance of cash and cash equivalents	31		
At the beginning of the semester		8,781,326	13,994,899
At the end of the semester		12,485,730	8,894,031
Decrease in cash and cash equivalents		3,704,404	(5,100,868)
Noncash transactions		1,064,700	(502,377)
Interest on equity declared		(630,000)	(500,000)
Assets transfer, held for sale		1,696,276	-
Changes in fair value of assets available for sale in jointly controlled entities		(1,576)	(2,377)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2017

(In thousands of reais)

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. ("BTGP") (together 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 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.

BANCO BTG PACTUAL S.A. and subsidiaries

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(In thousands of reais)

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.

The consolidated financial statements were approved by Bank's Management on September 21, 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.

2. Corporate reorganization

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.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2017

(In thousands of reais)

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. On June 30, 2017 the Bank has a stake equivalent to 20.97% of Engelhart CTP.

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 result in the amount of CHF454 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.

BANCO BTG PACTUAL S.A. and subsidiaries

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June 30, 2017

(In thousands of reais)

On February 2, 2017 the bank announced that the aforementioned transaction will not be concluded because precedent conditions have not been met.

3. Presentation of the financial statements

a. Basis for preparation

The Company's interim condensed consolidated financial statements were prepared and are being presented in accordance with the International Accounting Standard (IAS 34) – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

b. Judgments and significant accounting estimates

In the process of preparing The Company's interim condensed consolidated financial statements, management exercised judgment and used estimates to calculate certain amounts recognized in the financial statements. The more material application of the exercise of judgment and use of estimates occurs in:

Going concern

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.

Fair value of the financial instruments

When the fair value of financial assets and liabilities accounted in the balance sheet may not be derived from an active market, it is determined by using several valuation methodologies that include the use of mathematic models. The inputs of these models are derived from observable data of the market whenever possible, but, when market data are not available, judgment is required to establish the fair value. The judgments include liquidity considerations and variable models such as volatility of long-term derivatives and discount rates, prepayment fees and assumptions on default of bonds containing assets as guarantee.

Impairment losses regarding loans and receivables

The Bank and its subsidiaries' review individually significant loans and receivables on each balance sheet date to evaluate if impairment losses must be recorded in the income statement. Management's judgment is required to estimate the value and timing of cash flows in order to determine impairment losses. To estimate these cash flows, the Bank and its subsidiaries make judgments with respect to client's financial condition and the realizable value net of any guarantee. These estimates are based on assumptions involving several factors and, for this reason, the actual results may vary, creating future changes in the provision.

BANCO BTG PACTUAL S.A. and subsidiaries

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June 30, 2017

(In thousands of reais)

Impairment of financial assets available for sale and held to maturity.

The Bank and its subsidiaries' review any debt instruments classified as investments available for sale or held to maturity at each financial statement date to evaluate any impairment. This requires judgments similar to the individual evaluation of loans and receivables.

The Bank and its subsidiaries also record impairment in any investments classified as available for sale or held to maturity for which there was a significant or prolonged write-off of the fair value, below its cost. The determination of what is deemed "significant" or "prolonged" requires judgment. To reach this judgment, the Bank evaluates, among others factors, the historical variation of share prices, as well as the duration and extent to which the investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

c. Revised IFRS pronouncements

- **Accounting standards applicable for period ended June 30, 2017**

IASB Annual Improvement Cycle (2012-2014) – Annually IASB makes minor amendments to a series of pronouncements to clarify the standards and avoid double interpretation. In this cycle IFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations", IFRS 7 – "Financial Instruments: Disclosures", IAS 19 – "Employee Benefits", and IAS 34 – "Interim Financial Reporting" were reviewed. Effective for annual periods beginning on January 1, 2016.

Amendment to IFRS 11 – "Joint Arrangement" – The change establishes criteria for recognition of acquisition of joint operations, which activity constitutes one business, according to the methodology established in IFRS 3 – Business Combinations. Effective for the years beginning on January 1, 2016 and early adoption is permitted by IASB. Impacts of this change will occur only if there is an acquisition of a joint operation that constitutes a business.

Amendment to IAS 16 – "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – The amendment clarifies the base principle for depreciation and amortization as being the expected standard of consumption of future economic benefits embodied in the asset. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB.

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Amendment to IAS 1 – “Presentation of Financial Statements” – The amendments are aimed at encouraging companies to identify which information is sufficiently material to be disclosed in the financial statements. It also clarifies that materiality is applicable to the full set of financial statements, including the notes to the financial statements, and it is applicable to any and all disclosure requirements of the IFRS standards. Effective for periods beginning on January 1, 2016. Main effects identified are related to the disclosure of accounting policies and judgment of materiality in the notes to the financial statements.

Amendments to IAS 28, IFRS 10 and IFRS 12: “Investment Entities: Applying Consolidation Exception”: This document comprises guidance for applying the Investment Entities concept. Effective for annual periods beginning on January 1, 2016.

No material impacts arising from these changes on the consolidated financial statements of BTG Pactual were identified.

- **Accounting standards recently issued and applicable in future periods**

The following pronouncements will become applicable for periods after the date of these consolidated financial statements and were not early adopted:

IFRS 9 – Financial Instruments – This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 applies to financial instruments and will be adopted retrospectively at its effective date, on January 1, 2018. This standard is structured to cover the pillars (I) classification and measurement of financial assets (II) impairment, and (III) hedge accounting. Among the amendments, the items below may have the most significant impacts:

Classification and measurement of financial assets: the classification of financial assets should depend on two criteria: the entity’s business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets.

Impairment: The new standards introduced the expected loss approach and classification into three phases.

Hedge accounting: The hedge accounting requirements are closed aligned with risk management and should be applied on a prospective basis.

IFRS 9 is in process of implementation by BTG Pactual, and an evaluation of the possible impacts resulting from the adoption of this standard has been conducted and are being evaluated.

IFRS 15 – “Revenue from Contracts with Customers” – The pronouncement replaces IAS 18 and IAS 11, as well as interpretations related thereto (IFRICs 13, 15 and 18). It requires that revenue is recognized in a way that shows the transfer of assets or services to the client for an amount that reflects the company’s expectation of having in consideration the rights to these assets or services. This standard is effective for annual periods beginning on January 1, 2018

IFRS 15 is in process of implementation by BTG Pactual, and an evaluation of the possible impacts resulting from the adoption of this standard has been conducted and are being evaluated.

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

Amendment to IFRS 10 – “Consolidated Financial Statements” and IAS 28 – “Investments in Associates and Joint Ventures” – The amendments refer to an inconsistency between IFRS 10 and IAS 28 requirements, when addressing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has not been defined by IASB yet. No material impacts arising from the adoption of this standard were identified.

d. Consolidated financial statements

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). Control exists where the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Bank, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The following table lists the principal subsidiaries of the Bank, held directly and indirectly, including investment funds consolidated in the financial statements.

		Equity interest - %	
	Country	30/06/2017	31/12/2016
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	-	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	45.87	50.93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual 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
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99

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	Country	Equity interest - %	
		30/06/2017	31/12/2016
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	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual 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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e. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais at the rate prevailing at the reporting date, while income and expense accounts were translated at the average rate of the month.

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

The foreign exchange effects of the conversion of foreign subsidiaries are recorded in the statement of other comprehensive income, as well as investments hedge transactions, when applicable.

Seasonality of transactions

Considering the activities that the Bank is involved in, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Bank does not provide disclosures about seasonality in these notes to the interim condensed consolidated financial statements for the semester ended on June 30, 2017.

f. Restatement

During the six-month period ended June 30, 2017, BTG Pactual started to present on a net basis the receivables and payables of the DF derivatives (Deliverable Forwards) held in its Balance Sheet. As a consequence of this change, the Bank is restating the Balance Sheet for the comparative year ended December 31, 2016, which was adjusted between assets and liabilities in the amount of R\$5,779,157.

4. Significant accounting practices

The accounting practices adopted by the Company in the preparation of its interim condensed consolidated financial statements are consistent with those adopted for the consolidated financial statements for the period ended on December 31, 2016, except for the Net Investment Hedge of Foreign Operations.

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.

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, in the Corporate Governance / Risk management section.

a. Operating limits

	30/06/2017	31/12/2016
Prudential 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

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	30/06/2017	31/12/2016
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*11%)	19.0%	21.6%
Tier I capital	16.0%	17.8%
Tier II capital	3.0%	#VALUE!
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 or insufficient	4,398,048	2,246,310

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 Circulars-Letters 3.310/08 and 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13 and Circular-Letter 3.625/13.

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

As at semester June 30, 2017 and year ended 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, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer 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 a stress test models as a complement to VaR method for its daily risk activities.

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The table below contains the Bank's and its subsidiaries' daily average VaR for the periods ended:

In millions of R\$	June 2017	December 2016	June 2016
Daily average VaR	103.4	141.3	234.3

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.

The maximum exposures of the financial assets divided by geographic region are as follows:

	30/06/2017				
	Brazil	United States	Europe	Others	Total
Asset					
Cash and balances at Central Bank	1,537,548	661,206	235,775	221,082	2,655,611
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	13,029,684	4,312,832	-	1,969,186	19,311,702
Financial assets designated at fair value through profit and loss	18,648,487	-	-	-	18,648,487
Derivative financial instruments	5,873,940	9,793,650	-	59,148	15,726,738
Loans and Receivables					
Open market investments	7,595,185	769,044	264,078	240,115	8,868,422
Amounts receivable from banks	1,231,768	1,071,217	-	2,583	2,305,568
Other loans and receivables	12,726,503	-	38,554	462,639	13,227,696
Available-for-sale financial assets	110,980	-	-	-	110,980
Held-to-maturity financial assets	3,389,051	-	-	-	3,389,051
Non-current assets held for sale	-	-	-	3,427,828	3,427,828
Total	64,143,146	16,607,949	538,407	6,382,581	87,672,083

	31/12/2016				
	Brazil	United States	Europe	Others	Total
Asset					
Cash and balances at Central Bank	1,963,263	268,843	85,371	319,677	2,637,154
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	13,745,156	3,497,780	42,523	1,412,515	18,697,974
Financial assets designated at fair value through profit and loss	14,725,208	-	-	-	14,725,208
Derivative financial instruments	13,896,805	6,873,470	7,039	49,305	20,826,619
Loans and Receivables					
Open market investments	4,006,850	-	-	194,745	4,201,595
Other loans and receivables	11,210,249	1,136	70,136	428,985	11,710,506
Amounts receivable from banks	510,924	1,412,250	-	19,402	1,942,576
Available-for-sale financial assets	129,932	-	-	-	129,932
Held-to-maturity financial assets	4,939,003	-	-	-	4,939,003
Non-current assets held for sale	-	-	494,808	1,781,685	2,276,493
Total	65,127,390	12,053,479	699,877	4,206,314	82,087,060

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The table below provides the main exposures to credit risk based on accounting values and classified by economic activity of the counterparties:

	30/06/2017									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Energy	Rural	Other (i)	Total
Asset										
Cash and balances at Central Bank	-	2,655,611	-	-	-	-	-	-	-	2,655,611
Financial assets at fair value through profit or loss										
Financial Assets held for trading	5,864,247	4,369,728	326,093	2,472,048	-	1,060,312	1,989,569	915	3,228,790	19,311,702
Financial assets designated at fair value through profit and loss	18,648,487	-	-	-	-	-	-	-	-	18,648,487
Derivative financial instruments	-	13,389,743	-	-	2,002	26,621	1,733,047	5,557	569,768	15,726,738
Loans and Receivables										
Open market investments	-	3,338,254	-	4,275,762	-	-	-	-	1,254,406	8,868,422
Other loans and receivables	-	1,015,511	3,819,668	-	771,061	409,724	-	242,721	6,969,011	13,227,696
Amounts receivable from banks	-	2,305,568	-	-	-	-	-	-	-	2,305,568
Available-for-sale financial assets	-	-	-	110,980	-	-	-	-	-	110,980
Held-to-maturity financial assets	-	3,389,051	-	-	-	-	-	-	-	3,389,051
Non-current assets held for sale	-	-	-	-	-	3,427,828	-	-	-	3,427,828
Total	24,512,734	30,463,466	4,145,761	6,858,790	773,063	4,924,485	3,722,616	249,193	12,021,975	87,672,083

	31/12/2016									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Energy	Rural	Other (i)	Total
Asset										
Cash and balances at Central Bank	1,940,166	696,988	-	-	-	-	-	-	-	2,637,154
Financial assets at fair value through profit or loss										
Financial Assets held for trading	9,147,660	1,108,296	106,598	2,747,250	-	1,201,230	1,240,331	116	3,146,493	18,697,974
Financial assets designated at fair value through profit and loss	14,725,208	-	-	-	-	-	-	-	-	14,725,208
Derivative financial instruments	-	18,099,892	-	-	5,503	8,318	831,889	4,114	1,876,903	20,826,619
Loans and Receivables										
Open market investments	-	2,510,447	-	1,609,001	-	-	-	-	82,147	4,201,595
Other loans and receivables	-	547,224	6,500,044	594,683	798,335	339,246	377,868	147,271	2,405,835	11,710,506
Amounts receivable from banks	-	1,942,576	-	-	-	-	-	-	-	1,942,576
Financial assets available for sale	-	-	-	129,932	-	-	-	-	-	129,932
Held-to-maturity financial assets	-	4,939,003	-	-	-	-	-	-	-	4,939,003
Non-current assets held for sale	-	-	494,808	-	-	1,781,685	-	-	-	2,276,493
Total	25,813,034	29,844,426	7,101,450	5,080,866	803,838	3,330,479	2,450,088	151,501	7,511,378	82,087,060

(i) Represents primarily exposure at tradable shares and investment funds quotes.

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Financial assets that are due without event of loss or individually due with event of loss are covered partially or in whole by guarantees. The disclosure of main guarantees is described on Note 12.

On June 30, 2017 and December 31, 2016 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

d. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establishes substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the semester ended on June 30:

	30/06/2017		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	2,655,611	-	2,655,611
Financial assets at fair value through profit or loss			
Financial Assets held for trading	19,311,702	-	19,311,702
Financial assets designated at fair value through profit and loss	18,648,487	-	18,648,487
Derivative financial instruments	13,120,775	2,605,963	15,726,738
Loans and Receivables			
Open market investments	8,664,229	204,193	8,868,422
Other loans and receivables	4,157,341	9,070,355	13,227,696
Amounts receivable from banks	2,305,568	-	2,305,568
Financial assets available for sale	-	110,980	110,980
Held-to-maturity financial assets	1,407,500	1,981,551	3,389,051
Non-current assets held for sale	3,427,828	-	3,427,828
Deferred tax assets	-	5,198,098	5,198,098
Other assets	6,876,842	5,277,484	12,154,326
Investment in associates and jointly controlled entities	-	3,760,088	3,760,088
Property, plant and equipment	-	88,601	88,601
Intangible assets	-	1,074,344	1,074,344
Total Assets	80,575,883	29,371,657	109,947,540

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	31/12/2016		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	2,637,154	-	2,637,154
Financial assets at fair value through profit or loss			
Financial Assets held for trading	18,697,974	-	18,697,974
Financial assets designated at fair value through profit and loss	14,608,512	116,696	14,725,208
Derivative financial instruments	19,813,655	1,012,964	20,826,619
Loans and Receivables			
Open market investments	4,201,547	48	4,201,595
Other loans and receivables	4,833,163	6,877,343	11,710,506
Amounts receivable from banks	1,942,576	-	1,942,576
Financial assets available for sale	-	129,932	129,932
Held-to-maturity financial assets	778,490	4,160,513	4,939,003
Deferred tax assets	2,276,493	-	2,276,493
Other assets	-	4,919,258	4,919,258
Investment in associates and jointly controlled entities	5,641,590	5,896,950	11,538,540
Property, plant and equipment	-	6,339,045	6,339,045
Intangible assets	-	92,688	92,688
	-	1,094,594	1,094,594
Total Assets	75,431,154	30,640,031	106,071,185

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Bank and its subsidiaries, for the semester ended June 30, 2017 and year ended December 31, 2016:

	30/06/2017		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	5,068,823	-	5,068,823
Derivative financial instruments	11,493,783	2,461,339	13,955,122
Financial Liabilities carried at amortized cost			
Amounts payable to banks	285,988	40,162	326,150
Open market funding	30,675,361	-	30,675,361
Other financial liabilities carried at amortized cost	13,314,454	18,963,030	32,277,484
Tax liabilities	331,600	1,789,071	2,120,671
Other liabilities	4,540,238	3,546,212	8,086,450
Total liabilities	65,710,247	26,799,814	92,510,061

	31/12/2016		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	6,020,750	-	6,020,750
Derivative financial instruments	17,216,140	1,208,063	18,424,203
Financial Liabilities carried at amortized cost			
Amounts payable to banks	171,806	54,329	226,135
Open market funding	20,654,602	105,956	20,760,558
Other financial liabilities carried at amortized cost	15,216,520	17,791,571	33,008,091
Tax liabilities	393,718	1,761,295	2,155,013
Other liabilities	5,716,626	2,157,162	7,873,788
Total liabilities	65,390,162	23,078,376	88,468,538

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The table below presents the undiscounted cash flows for “Financial liabilities carried at amortized cost”. We are not presenting undiscounted cash flows for “Financial Liabilities at fair value through profit or loss”.

	30/06/2017		
	Under 12 months	Over 12 months	Total
Financial liabilities carried at amortized cost			
Amounts payable to banks	285,988	40,162	326,150
Open market funding	33,161,762	-	33,161,762
Other financial liabilities carried at amortized cost	13,452,789	34,425,080	47,877,869
	31/12/2016		
	Under 12 months	Over 12 months	Total
Financial liabilities carried at amortized cost			
Amounts payable to banks	171,806	54,329	226,135
Open market funding	20,714,190	-	20,714,190
Other financial liabilities carried at amortized cost	19,622,845	48,522,465	68,145,310

f. Operating risk

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

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

The Bank and its subsidiaries have a 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 and balance at Central Bank

The composition of this account is presented below:

	30/06/2017	31/12/2016
Cash at banks	1,049,060	674,192
Balance at Central Bank	1,606,551	1,962,962
Total	2,655,611	2,637,154

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7. Assets and liabilities at fair value through profit and loss

a. Financial assets held for trading

	30/06/2017		31/12/2016	
	Cost	Market	Cost	Market
Own portfolio	11,130,508	11,086,738	12,518,302	13,121,147
Federal government bonds	256,618	258,246	5,272,131	5,273,562
Brazilian foreign debt securities	43,591	43,131	9,031	9,031
Eurobonds (i)	113,408	121,482	8,803	8,803
Bank certificates of deposit	23,211	23,211	108	108
Investment fund quotes				
Shares	112,780	124,256	120,085	130,060
Multimarket	1,551,527	1,690,445	1,831,314	1,935,931
FIDC - Credit Rights	5,891	5,891	5,892	5,892
Real Estate	2,828	2,828	4,563	4,563
Equity Investment fund	432,072	451,008	697,547	717,826
Shares	5,423,749	5,292,180	999,232	2,118,770
Other	485,344	485,344	14,534	14,476
Foreign government bonds	961,728	964,583	466,758	475,606
Foreign private securities				
Corporate bonds	1,273,329	1,170,364	972,296	972,296
Other	444,432	453,769	2,116,008	1,454,223
Unrestricted portfolio	232,800	232,610	184,286	185,449
Federal government bonds	232,800	232,610	184,286	185,449
Subject to repurchase agreements	5,677,723	5,847,314	2,949,169	3,038,362
Federal government bonds	4,492,058	4,493,315	2,385,399	2,385,787
Foreign government bonds	1,099,189	1,266,761	93,069	181,874
Other	33,788	33,788	10,076	10,076
Foreign private securities				
Corporate bonds	52,688	53,450	460,625	460,625
Subject to guarantees	1,850,398	2,145,040	2,403,725	2,353,016
Federal government bonds	853,014	1,130,127	1,603,156	1,604,497
Investment fund quotes				
Multimarket	274,277	274,277	244,978	244,978
Bank certificates of deposit	99,526	102,690	64,887	64,886
Other	-	-	2,033	2,033
Shares	602,198	616,563	474,962	422,913
Foreign government bonds				
Other	21,383	21,383	13,709	13,709
	18,891,429	19,311,702	18,055,482	18,697,974

(i) Substantially securities issued by Brazilian companies.

b. Financial liabilities held for trading

	30/06/2017	31/12/2016
Short position in securities	4,394,936	4,744,283
Loan of securities		
Shares	673,887	1,276,467
	5,068,823	6,020,750

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c. Financial assets designated at fair value through profit and loss

Financial assets designated at fair value through profit or loss is basically represented by short-term repurchase agreements are measured at fair value once it significantly reduces the inconsistent treatment that would occur in the measurement of these assets in the recognition of gains and losses.

The amortized cost of such transactions is represented by the amount of R\$18,551,312 and R\$14,838,077, as at June 30, 2017 and December 31, 2016, respectively.

d. Derivatives financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedge for their 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 by 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. and CETIP S.A. – OTC Clearing House; 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.

The Bank started to present on a net basis the receivables and payables of the DF derivatives (Deliverable Forwards) held in its Balance Sheet.

The composition of this account is presented below:

	30/06/2017		31/12/2016	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	8,992	8,992	-	-
Short position	(27,075)	(27,075)	-	-
Swaps				
Long position	589,246	922,858	664,797	942,947
Short position	(912,860)	(1,296,007)	(1,002,794)	(1,229,630)
Credit derivatives				
Long position	92,516	92,516	16,244	16,244
Short position	(12,071)	(12,071)	(1,065)	(1,065)
Non-deliverable forward - NDF				
Long position	3,382,410	2,911,586	3,499,295	3,498,253
Short position	(2,281,018)	(1,807,560)	(1,974,051)	(1,975,585)

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	30/06/2017		31/12/2016	
	Cost (i)	Market	Cost (i)	Market
Deliverable forward - DF				
Long position	105,972	105,970	120,663	36,219
Short position	(114,874)	(114,873)	(90,274)	(90,274)
Security forwards				
Long position	1,006,021	1,030,529	209,890	209,875
Short position	(1,005,913)	(1,023,668)	(209,963)	(216,556)
Options market				
Long position	1,243,342	1,331,659	1,415,271	1,427,627
Short position	(397,171)	(380,286)	(449,653)	(352,611)
Exchange portfolio				
Long position	9,549,628	9,322,628	14,695,454	14,695,454
Short position	(9,568,582)	(9,293,582)	(14,558,482)	(14,558,482)
Long position	<u>15,978,127</u>	<u>15,726,738</u>	<u>20,621,614</u>	<u>20,826,619</u>
Short position	<u>(14,319,564)</u>	<u>(13,955,122)</u>	<u>(18,286,282)</u>	<u>(18,424,203)</u>

(i) Refers to book value receivable (received) / payable (paid).

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

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.

We show below the notional value of derivative operations. The receivable leg and payable leg are presented separately for Swap and NDF derivatives in the table below:

	30/06/2017	31/12/2016
	Total	Total
Futures market		
Long position	117,584,369	81,712,301
Currency	574,193	6,766,707
Interest rate	115,465,962	74,840,749
Index	1,403,284	-
Equities	-	22
Other	140,930	104,823
Short position	21,800,718	18,262,714
Currency	5,326,736	70
Interest rate	13,033,968	18,070,715
Commodities	-	7,549
Index	1,322,833	-
Equities	-	22
Other	2,117,181	184,358

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	30/06/2017	31/12/2016
	Total	Total
Swap		
Long position	87,187,599	63,801,633
Currency	2,527,903	2,116,247
Interest rate	83,449,623	61,192,473
Index	5,372	-
Equities	469,920	246,295
Commodities	18,493	63,156
Federal government bonds	-	744
Other	716,288	182,718
Short position	87,187,599	63,801,633
Currency	3,986,575	10,766,256
Interest rate	80,988,649	46,826,281
Index	1,097,400	4,078,690
Equities	388,520	1,499
Commodities	66,152	-
Federal government bonds	-	744
Other	660,303	2,128,163
Credit Derivatives		
Long position	1,611,959	543,618
Sovereign	1,457,163	505,161
Corporate	154,796	38,457
Short position	-	93,048
Sovereign	-	11,570
Corporate	-	81,478
Non-deliverable forward - NDF		
Long position	42,062,278	41,500,091
Currency	19,599,071	20,355,769
Commodities	15,669,860	21,028,246
Federal government bonds	6,793,347	-
Interest rate	-	116,076
Others	-	-
Short position	42,062,278	41,500,091
Currency	24,876,311	16,402,183
Commodities	15,669,860	21,028,246
Federal government bonds	66,103	-
Interest rate	1,450,004	4,069,662
Deliverable forward - DF		
Long position	15,000,455	6,142,079
Currency	15,000,455	6,142,079
Short position	15,000,455	6,142,079
Currency	15,000,455	6,142,079
Security forwards		
Long position	1,006,255	210,070
Government bonds	1,006,255	210,070
Short position	1,006,255	210,070
Interest rate	1,006,255	210,070
Options market		
Call option	34,253,627	14,294,032
Equities	357,587	411,248
Index	102	-
Currency	8,527,140	7,849,901
Interest rate	11,320,113	5,957,476
Other	14,048,685	75,407
Put option	51,343,948	24,313,372
Equities	563,280	878,183
Index	100	3,818
Currency	12,699,375	7,984,634
Interest rate	21,810,000	15,112,500
Other	16,271,193	334,237
Call option	22,531,247	9,989,808
Equities	312,698	255,232
Index	279	-
Currency	8,823,670	9,570,051
Interest rate	1,915,258	-
Others	11,479,342	164,525
Put option	49,987,573	22,975,619
Equities	124,917	201,889
Index	158	4,257
Currency	11,272,038	7,072,728
Interest rate	22,043,200	15,106,000
Others	16,547,260	590,745

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	30/06/2017	31/12/2016
	Total	Total
Exchange Portfolio		
Long position	6,354,035	11,726,861
Currency	6,354,035	11,726,861
Short position	6,352,658	11,617,558
Currency	6,352,658	11,617,558

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and sovereign bonds totaling R\$3,333,143 (December 31, 2016 – R\$4,419,256) and shares in the amount of R\$102,689 (December 31, 2016 – R\$422,913).

e. Reclassification of securities

Management classifies securities according to its trading intention. No reclassifications or changes in intention were made by Management during the period.

8. Available-for-sale financial assets

	30/06/2017		31/12/2016	
	Cost	Market	Cost	Market
Investment fund quotes				
Equity Investment fund	110,980	110,980	129,932	129,932
	110,980	110,980	129,932	129,932

9. 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 that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the B3 S.A., the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).
- Futures and forwards – Prices obtained in exchanges or using the same criteria as described above for swaps.
- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

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- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).
- Financial instruments held for trading – the fair values of bonds are calculated based on prices published by ANBIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.
- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

The table below summarizes the fair value hierarchy of the financial instruments, classified based on the measurement methods adopted by the Bank:

30/06/2017				
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	16,196,322	2,006,968	1,108,412	19,311,702
Financial assets designated at fair value through profit and loss	-	18,648,487	-	18,648,487
Available-for-sale financial assets	-	-	110,980	110,980
Derivative financial instruments	1,713,489	11,644,792	2,368,457	15,726,738
Liability				
Financial liabilities held for trading	5,068,823	-	-	5,068,823
Derivative financial instruments	1,893,066	10,390,274	1,671,782	13,955,122
31/12/2016				
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	16,433,060	1,266,666	998,248	18,697,974
Financial assets designated at fair value through profit and loss	-	14,725,208	-	14,725,208
Available-for-sale financial assets	-	-	129,932	129,932
Derivative financial instruments	995,935	17,039,979	2,790,705	20,826,619
Liability				
Financial liabilities held for trading	6,020,750	-	-	6,020,750
Derivative financial instruments	1,297,296	15,431,472	1,695,435	18,424,203

There were no reclassifications between Level 1,2 and 3 for the semester ended June 30, 2017 and year ended December 31, 2016.

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The movement on financial instruments classified as Level 3 in the semester ended June 30, 2017 and December 31, 2016 are presented below:

	Derivative financial instruments	Financial assets held for trading	Financial assets available for sale	Total
At December 31, 2015	765,249	155,329	74,058	994,636
Acquisition / sales	178,705	842,360	-	1,021,065
Gain/losses	151,316	559	55,874	207,749
At December 31, 2016	1,095,270	998,248	129,932	2,223,450
Acquisition / sales	(59,007)	383,841	-	324,834
Gain/losses	(339,588)	(273,677)	(18,952)	(632,217)
At June 30, 2017	696,675	1,108,412	110,980	1,916,067

- **Derivatives**

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

- **Financial assets held for trading**

Financial assets held for trading are initially recognized at fair value, and transactions costs are recorded on income statement.

- **Financial assets available for sale**

Financial assets available-for-sale are initially recognized at fair value, which is the cash consideration including any transaction costs and, subsequently, are measured at fair value with gains and losses being recognized in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized.

10.Open market investments and funding

The amounts presented below are basically overnight, and indexed to local and foreign benchmark interest rate.

	30/06/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Own funds	2,193,962	7,814,060	1,615,683	7,792,687
Third-party funds	6,526,010	22,861,301	2,585,912	12,967,871
Short position	148,450	-	-	-
	8,868,422	30,675,361	4,201,595	20,760,558

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The collateral received in repurchase agreements above and on financial assets designated at fair value through profit and loss (Note 7c) amounts to R\$9,114,987 (December 31, 2016 - R\$4,325,498), whereas the collateral granted amounts to R\$26,201,699 (December 31, 2016 - R\$20,760,581).

11.Amounts receivable from/payable to banks

The composition of this account is presented below:

	30/06/2017		31/12/2016	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	1,234,157	326,150	530,326	226,135
Investments in foreign currency – Overnight	1,071,411	-	1,412,250	-
	<u>2,305,568</u>	<u>326,150</u>	<u>1,942,576</u>	<u>226,135</u>

12.Other loans and receivables

a. Composition

The composition of this account is presented below:

	30/06/2017		
	Balance	Allowance	Total
Loans	8,248,150	(1,084,361)	7,163,789
Debentures	1,788,569	(271,808)	1,516,761
Promissory notes	32,354	-	32,354
Certificate of real estate receivables	375,660	-	375,660
Financing	948,259	(67,461)	880,798
FINAME/BNDES	2,740,073	(13,537)	2,726,536
Foreign currency advances	203,592	-	203,592
Fund for Compensation of Salary Variations (FCVS)	253,012	-	253,012
Securities and credits receivable (i)	257,671	(182,477)	75,194
	<u>14,847,340</u>	<u>(1,619,644)</u>	<u>13,227,696</u>

	31/12/2016		
	Balance	Allowance	Total
Loans	6,455,431	(500,124)	5,955,307
Debentures	1,501,736	-	1,501,736
Promissory notes	30,546	-	30,546
Certificate of real estate receivables	372,761	-	372,761
Financing	874,382	(132,457)	741,925
FINAME/BNDES	2,643,857	(13,018)	2,630,839
Foreign currency advances	215,508	-	215,508
Fund for Compensation of Salary Variations (FCVS)	155,660	-	155,660
Securities and credits receivable (i)	106,224	-	106,224
	<u>12,356,105</u>	<u>(645,599)</u>	<u>11,710,506</u>

(i) Refers to the acquisition of credit rights.

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The amount of guarantees received for credit operations at June 30, 2017 and December 31, 2016, was R\$12,355,543 and R\$8,385,645, respectively.

b. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the fiscal years were as follows:

	30/06/2017	30/06/2016
Opening balances	(1,088,340)	(1,969,139)
Reversal/(recording) of allowance	(213,423)	(43,147)
Renegotiation of credits written off to loss	(369,084)	-
Exchange rate variation	(2,078)	353,187
Allowance from acquired / sale entity	-	1,210
Credits written off as loss	53,281	727,801
Closing balances	(1,619,644)	(930,088)

- (i) In June 2017, the Bank has offsetted the presentation of allowance for loan losses with the loans and receivables acquired by FIDCs, which corresponded substantially to the remaining difference between the contractual rights acquired and the value paid on the date of the acquisition, in order to present the net exposure to these loans and receivables.

c. Renegotiation/recovery of credits written off as loss

As at the semester ended 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 correspondent to recovery of credits written off loss (December 31, 2016 – R\$50,605).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	30/06/2017	31/12/2016
Low	10,469,797	6,777,706
Medium	3,318,186	3,170,995
High	1,059,357	2,407,404
Total	14,847,340	12,356,105

The Bank follows an internal loan ratings system that complies with requirements of the Central Bank of Brazil; based on such ratings, for purposes of this footnote, the bank has further grouped the loans into low, medium and higher risk. Low risk included ratings AA and A, medium B and C and high from D to H.

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13. Held-to-maturity financial assets

	30/06/2017	31/12/2016
Subject to repurchase		
Federal government bonds	1,981,551	2,575,247
Subject to guarantees		
Federal government bonds	1,407,500	2,363,756
	<u>3,389,051</u>	<u>4,939,003</u>

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a negative adjustment of R\$96,023 (December 31, 2016 – negative R\$36,279).

14. Other financial liabilities carried at amortized cost

a. Summary

	30/06/2017	31/12/2016
Deposits	8,211,024	7,464,635
Funds from securities issued and accepted	8,941,753	10,335,748
Loans and onlending	3,949,371	3,619,516
Subordinated debts	11,175,336	11,588,192
	<u>32,277,484</u>	<u>33,008,091</u>

b. Deposits

	30/06/2017	31/12/2016
Demand deposits	96,182	7,335,615
Time deposits	8,114,842	129,020
	<u>8,211,024</u>	<u>7,464,635</u>

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

On December 4, 2015 a Memorandum of Understanding with the 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 personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. On October 19, 2016, the financial assistance line obtained from Fundo Garantidor de Créditos – FGC, had its outstanding amount fully paid.

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c. Funds from securities issued and accepted

	30/06/2017	31/12/2016
Securities – Brazil	6,431,304	7,841,677
Financial bills	5,071,203	6,865,263
Mortgage bonds/letters of credit for agribusiness	1,276,777	964,695
Certificates of structured transactions	83,324	11,719
Securities – abroad	2,510,449	2,494,071
Medium term notes	2,408,775	2,351,264
Fixed rate notes	101,674	142,807
	8,941,753	10,335,748

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.).

d. Loans and onlending

	30/06/2017	31/12/2016
Loans abroad	1,105,618	843,172
Foreign currency	101,831	63,552
Loans abroad	1,003,787	779,620
Loans - Brazil	156,385	163,771
Loans	156,385	163,771
Onlending in Brazil – official institution	2,687,368	2,612,573
FINAME/BNDES	2,687,368	2,612,573
	3,949,371	3,619,516

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.).

e. Subordinated debt

	30/06/2017					31/12/2016
Nome do papel - moeda	Valor Principal (moeda original)	Emissão	Vencimento	Remuneração a.a.	Saldo contábil	Saldo contábil
Letras financeiras - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflação + taxa pré	5,330,090	5,842,192
Notas subordinadas - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,467,348	1,440,798
Notas subordinadas elegíveis a capital - US\$ (ii)	1,300,000	12/09/2014	Perpétuo (opção de liquidação em 2019)	8.75%	4,377,898	4,305,202
Total					11,175,336	11,588,192

(i) Financial bills have different maturities and have interests and principal generally amortized every six months.

(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 notes acquired below par.

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15. Other assets

The composition of this account is presented below:

	30/06/2017	31/12/2016
Court deposits	1,812,608	1,739,441
Taxes recoverable to offset	886,601	711,826
Pending settlement (i)	2,554,272	1,875,932
Investment properties	753,937	780,447
Sundry debtors – local	3,112,569	3,315,871
Services provided receivable	517,453	536,294
Management fee and performance fees receivable for funds and investment portfolios	296,686	290,405
Cash from records and settlement	209,490	868,149
Dividends and bonifications	10,028	17,493
Prepaid expenses	-	514,152
Securities trading and brokerage	117,196	38,105
Advance to suppliers	780,478	19,829
Miscellaneous	1,103,008	830,596
	<u>12,154,326</u>	<u>11,538,540</u>

- (i) Line item “Pending settlement” basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties and values pending settlement within financial assets sale.

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16. Investments in associates and jointly-controlled entities

	Associates and jointly-controlled entities					
	Shareholders Equity		Income		Interest	
	30/06/2017	31/12/2016	30/06/2017	30/06/2016	30/06/2017	31/12/2016
In Brazil						
Banco Pan S.A.	3,460,210	3,412,162	46,463	(224,468)	40.35%	40.35%
Warehouse 1 Empreendimentos Imobs S.A.	34,903	29,758	5,145	673	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	2,298	2,679	49	2,767	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	6,090	5,705	1,506	817	44.74%	44.74%
Pan Seguros S.A.	643,118	650,611	14,715	63,617	51.00%	51.00%
Pan Corretora S.A.	74,013	67,612	6,401	5,566	51.00%	51.00%
Abroad						
BTG Pactual Holding S.A.R.L.	-	4,373,293	-	(35,220)	0.00%	80.00%
Maybroke Holding S.A.	-	984,727	-	18,402	0.00%	50.00%
Engelhart CTP Griup S.A.	3,396,508	4,565,815	(174,922)	-	20.97%	0.00%
EFG International	6,903,600	6,411,200	71,107	-	30.00%	0.00%

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	Changes in relevant investments					
	31/12/2016	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries from 2016	Fair value adjustments
In Brazil						
Banco Pan S.A.	1,314,446	-	-	-	48,957	833
Warehouse 1 Empreendimentos Imobs S.A.	10,414	-	-	-	1,801	-
Max Casa XIX Empreendimentos Imobs S.A.	1,340	-	(500)	-	25	-
ACS Omicron Empreendimentos Imobs S.A.	2,553	-	-	-	674	-
Pan Corretora S.A.	34,482	-	-	-	3,265	-
Pan Seguros S.A.	331,809	-	(11,498)	-	7,505	172
Other	7,820	(650)	-	-	(384)	-
Abroad						
BTG Pactual Holding S.A.R.L.	1,749,318	(1,696,276)	(164,554)	32,685	78,827	-
Engelhart CTP Group S.A.	1,372,257	(626,765)	-	(1,902)	(22,327)	-
EFG International	1,514,606	(142,819)	-	221,184	(307,210)	-
	6,339,045	(2,466,510)	(176,552)	251,967	(188,867)	1,005

	Changes in relevant investments					
	31/12/2015	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries - 2015	Fair value adjustments
In Brazil						
Banco Pan S.A.	1,371,176	-	-	-	(48,086)	1,775
Warehouse 1 Empreendimentos Imobs S.A.	14,340	-	(700)	-	(3,226)	-
Max Casa XIX Empreendimentos Imobs S.A.	11,924	(8,500)	-	-	(1,011)	-
ACS Omicron Empreendimentos Imobs S.A.	4,306	-	-	-	183	-
Vivere Soluções e Serviços S.A.	-	(5,022)	-	-	5,022	-
Abroad						
BTG Pactual Holding S.A.R.L.	4,205,704	-	(126,186)	(748,557)	(28,176)	-
Maybroke Holding S.A.	596,189	-	-	(106,167)	9,254	-
	6,203,639	(13,522)	(126,886)	(854,724)	(66,040)	1,775

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17. Non-current Assets Held for Sale

BTG Pactual Holding S.A.R.L. have fulfilled the requirements for presentation as non-current assets held for sale. The amount of the investments recognized in BTG Pactual Holding S.A.R.L corresponds to R\$3,427,828. The Bank do not expect that BTG Pactual Holding S.A.R.L are going to be sold for less than such amount, which represents its carrying amount, therefore no impairment losses were expected as of June 30, 2017.

18. Intangible assets and goodwill

	Changes in Intangible assets				
	31/12/2016	Acquisitions / sale	Amortization expenses / derecognition	Exchange variation	
Goodwill	697,751	16,397	(29,455)	(13,432)	671,261
Cost	1,092,614	16,397	-	22,235	1,131,246
Amortization	(394,863)	-	(29,455)	(35,667)	(459,985)
Other intangible assets	396,843	25,329	(20,559)	1,470	403,083
Cost	340,109	76,543	-	3,120	419,772
Intangible BTG Pactual	245,698	-	-	-	245,698
Chile	(188,964)	(51,214)	(20,559)	(1,650)	(262,387)
Amortization					
	<u>1,094,594</u>	<u>41,726</u>	<u>(50,014)</u>	<u>(11,962)</u>	<u>1,074,344</u>

	Changes in Intangible assets				
	31/12/2015	Acquisitions	Amortization expenses / derecognition	Exchange variation	
Goodwill	564,406	20,376	(24,217)	(48,489)	512,076
Cost	853,133	20,376	(24,217)	(39,486)	809,806
Impairment	(288,727)	-	-	(9,003)	(297,730)
Other intangible assets	714,617	11,548	(82,869)	37,768	681,064
Cost	648,788	11,548	-	145,524	805,860
Intangible BTG Pactual	245,698	-	-	-	245,698
Chile	(179,869)	-	(82,869)	(107,756)	(370,494)
Amortization					
	<u>1,279,023</u>	<u>31,924</u>	<u>(107,086)</u>	<u>(10,721)</u>	<u>1,193,140</u>

The amortization periods for intangible assets not originated in business combinations are 5 years.

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19. Tax Liabilities

The composition of this account is presented below:

	30/06/2017	31/12/2016
Deferred:		
Deferred social contribution and income tax	193,030	145,341
Deferred PIS and COFINS	-	5,429
Current:		
Tax and contributions to be collected	85,394	282,360
Tax and contribution payable	172,689	98,144
Suspended-payment taxes and others tax liabilities (note 21)	1,669,558	1,623,739
	<u>2,120,671</u>	<u>2,155,013</u>

20. Other Liabilities

The composition of this account is presented below:

	30/06/2017	31/12/2016
Cash from records and settlement	204,047	392,195
Pending settlement (i)	1,773,207	2,722,232
Other securities trading and brokerage	2,769,463	1,098,377
Employees' profit sharing	235,045	307,640
Provision for payables	521,496	183,765
Payable for acquisition of assets and rights (ii)	1,148,102	1,084,923
Provision for contingent liabilities	349,041	442,505
Allowance for guarantees	210,988	216,404
Dividends and interest on equity	634,365	1,149,913
Others	240,696	275,834
	<u>8,086,450</u>	<u>7,873,788</u>

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.

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

21. 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, whenever necessary. Management's judgment is based on the opinion of its external legal counsel regarding the expected outcome for each proceeding.

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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 accrued 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 unfavorable outcome (pain and suffering and pecuniary injury, among others requesting condemning judgments), contingency amounts are accrued based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions in the semester

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

	30/06/2017				30/06/2016
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	1,623,739	407,496	35,009	2,066,244	2,143,715
Recognition	64,842	38,739	10,563	114,144	383,928
Write-off	(19,023)	(140,910)	(1,856)	(161,789)	(293,065)
Balance at the end of the period	1,669,558	305,325	43,716	2,018,599	2,234,578
Suspended-payment taxes and other taxes contingencies				1,669,558	1,714,900
Provision for contingent liabilities				349,041	519,678

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The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 19)

The Bank and its subsidiaries' have been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a possible 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.

CSL ("Social contribution tax") - Challenge of CSL 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.

As at June 30, 2017, Banco BTG Pactual and its subsidiaries were parties 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

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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, BTG Pactual and its subsidiaries were part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

22. 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:

Income tax and social contribution	30/06/2017	30/06/2016
Tax base	165,159	4,135,873
Income before taxes	788,935	4,635,873
Interest on equity	(623,776)	(500,000)
Total charge of income tax and social contribution at the current rates	(411,800)	(1,861,143)
Permanent (additions) / deductions in taxation calculation	(47,755)	211,660
Equity in the earnings of subsidiaries and associated companies in Brazil	205,690	397,199
Foreign earnings	14,305	53,670
Gains on foreign gains	(125,956)	283,176
Other Permanent (additions) / deductions	(141,794)	(522,385)
Temporary (additions) / deductions on the taxation calculation	680,450	1,001,444
Reversal of provision for goodwill on the acquisition of investments	45,267	105,544
Interest on equity	117,000	(225,000)
Marked-to-market evaluation of securities and derivatives	343,744	1,453,537
Allowance for loan losses	22,095	(136,656)
Tax contingencies and provision for suspended-payment taxes	2,703	(210)
Other provisions	149,641	(195,771)
Offset of tax loss carry forwards - current and deferred liability - Brazil	(519,878)	22,661
Current tax expense and social contribution	(298,983)	(625,378)
Temporary differences		
Recognition / (reversal) of the period	(525,077)	(576,864)
Recognition of loss on investment abroad	-	(180,291)
Recognition of tax loss carry forward	563,811	211,757
Offset of tax loss carry forwards - Abroad	298,807	79,890
	(146,858)	410,641
(Expenses) / revenues from deferred taxes	190,683	(54,867)
Total (expenses) / revenues	(108,300)	(680,245)

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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 carryforwards	1,177,457	764,407	(107)	1,941,757
Interest on equity	400,500	-	(117,000)	283,500
Allowance for loan losses	810,781	47,670	1,922	860,373
Marked-to-market evaluation of securities and derivatives	1,742,981	451,059	(721,537)	1,472,503
Interest on equity	16,847	-	(8,425)	8,422
Tax contingencies and provision for suspended-payment taxes	188,062	753	(1,950)	186,865
Other temporary differences	580,428	-	(139,862)	440,566
	<u>4,917,056</u>	<u>1,263,889</u>	<u>(986,959)</u>	<u>5,193,986</u>
Reflected on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	2,202	1,910	-	4,112
	<u>4,919,258</u>	<u>1,265,799</u>	<u>(986,959)</u>	<u>5,198,098</u>
Income tax and social contribution	31/12/2015	Recognition	Realization (i)	30/06/2016
Tax loss carryforwards	827,919	292,162	(290,058)	830,023
Interest on equity	-	225,000	-	225,000
Allowance for loan losses	837,221	208,516	(147,030)	898,707
Marked-to-market evaluation of securities and derivatives	3,417,727	15,301,381	(16,616,598)	2,102,510
Interest on equity	150,228	-	(68,060)	82,168
Tax contingencies and provision for suspended-payment taxes	183,844	-	-	183,844
Other temporary differences	731,567	567,701	(12,475)	1,286,793
	<u>6,148,506</u>	<u>16,594,760</u>	<u>(17,134,221)</u>	<u>5,609,045</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

(ii) Changes above refers exclusively to income tax and social contribution deferred tax assets.

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	1,560,486	193,583	1,754,069
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>3,036,749</u>	<u>2,161,349</u>	<u>5,198,098</u>
Present value	<u>2,379,811</u>	<u>1,740,952</u>	<u>4,120,763</u>

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. (formely 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.

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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.

23.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 Assembly and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

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

The Class A Preferred Shares shall have the right to be included in 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 Company without deliberation and board or shareholders meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Company 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 Company and (iii) conversion is in accordance with the Company's shareholders' agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Company is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Company's shareholders' agreement.

The share movements on the semesters are presented below:

Banco BTG Pactual	Quantity			Total
	Common	Class A	Class B	
Outstanding at December 31, 2016	1,778,353,202	550,755,870	449,356,339	2,778,465,411
Outstanding at June 30, 2017	1,762,281,522	518,612,510	449,356,339	2,730,250,371

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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 exercise, before any other allocation, limited to 20% of the capital.

d. Statutory reserve

In outstanding with the bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of the 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 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.

g. Other comprehensive income

During the semester ended June 30, 2017 comprises: (i) the fair value changes in the financial assets available for sale from jointly controlled entities totaling a negative R\$1,576 (June 30, 2016 – R\$2,377); (ii) the fair value changes in the financial assets available for sale totaling R\$2,424 (June 30, 2016 – R\$6,247) and; (iii) the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the Reais totaling R\$198,315 (June 30, 2016 – R\$2,534,317); (iv) Net Investment Hedge of Foreign Operations, in the amount of R\$225,744.

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24. Earnings per share

Income per share basic and diluted is calculated dividing the net income by the weighted average shares outstanding during the semester. In the semester ended June 30, 2017 and 2016 there were no events that caused dilution.

	30/06/2017	30/06/2016
Net income	687,407	3,968,454
Weighted average per thousand ordinary shares outstanding for the semester	1,774,446,274	1,389,515,819
Weighted average per thousand preferred shares outstanding for the semester	992,298,354	1,321,919,638
Earnings per share – basic and diluted - R\$		
Common shares	0.25	1.46
Preferred shares	0.25	1.46

25. Net interest income and net gains on financial instruments

a. Net interest income

Interest revenues	30/06/2017	30/06/2016
Other loans and receivables	756,090	863,873
Open market funding and held-to-maturity financial assets	1,632,328	1,259,760
Income from compulsory investments in Brazilian Central Bank	94,223	101,771
	2,482,641	2,225,404
Interest expense	30/06/2017	30/06/2016
Open market funding	(1,594,937)	(979,936)
Time deposits	(42,465)	(442,861)
Interbank deposit	(294,697)	(660,090)
Notes issued	(656,122)	(1,192,441)
Borrowings and loans	(104,968)	1,509,450
	(2,693,189)	(1,765,878)

b. Net gains on financial instruments

	30/06/2017	30/06/2016
Derivatives	1,302,706	4,187,245
Financial assets at fair value through profit and loss	497,915	1,176,902
	1,800,621	5,364,147

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26. Fees and commissions

	30/06/2017	30/06/2016
Management and performance fee from investment funds and portfolios	266,724	365,362
Brokerage	75,476	67,486
Technical services	205,687	186,911
Commission on the placement of securities	89,818	59,056
Guarantees	123,988	114,453
Other services	4,041	26,775
	<u>765,734</u>	<u>820,043</u>

27. Other operating income / (expenses)

	30/06/2017	30/06/2016
Adjustment to inflation of court deposits	67,649	333,591
Recovery of charges and expenses	141,162	493,576
Recovery of charges and expenses	5,802	-
Reimbursement of clients	(48,861)	(122,229)
Discounts granted in renegotiation	-	(10,785)
Adjustment of amounts payable for acquisition of assets (i)	(72,288)	(106,567)
Adjustment of amounts receivables for sale of assets	77,481	101,404
Fair value of investment properties	(29,708)	(217,086)
Fair value of assets	(65,779)	-
Other	10,134	38,436
	<u>85,592</u>	<u>510,340</u>

(i) Refers to amounts payable for acquisition of assets (mainly Banco Pan S.A. and Banco Sistema S.A.).

28. Other administrative expenses

	30/06/2017	30/06/2016
Outsourced services and consulting	(184,174)	(225,038)
Telecommunications and data processing	(107,953)	(157,325)
Leases and condominiums	(44,769)	(63,951)
Travel and lodging	(19,817)	(28,341)
Expenses of the financial system	(66,841)	(133,293)
Advertising and Public Relations	(24,212)	(16,023)
Depreciation and amortization	(32,416)	(48,478)
Other	(25,597)	(20,913)
	<u>(505,779)</u>	<u>(693,362)</u>

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29. Personnel Expenses

	30/06/2017	30/06/2016
Direct compensation	(251,098)	(1,198,207)
Benefits	(246,298)	(43,469)
Charges	(51,906)	(88,706)
Other personnel expenses	(10,004)	(79,373)
	<u>(559,306)</u>	<u>(1,409,755)</u>

30. 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, carried at arm's length, are reflected in the following accounts:

	Parent company		Subsidiaries and joint controlled entities		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Assets						
Open market investments	-	-	360,003	527,100	360,003	527,100
Amounts receivable from banks	-	-	1,100,000	435,000	1,100,000	435,000
Financial assets held for trading	-	-	331,364	237,547	331,364	237,547
Derivative financial instruments	4,951	8,275	8,187	3,658	13,138	11,933
Other loans and receivables	2,122,959	987,295	-	971,297	2,122,959	1,958,592
Other assets	656,256	564,500	-	-	656,256	564,500
Liabilities						
Amounts payable to banks	(44,889)	(58)	(150,000)	-	(194,889)	(58)
Other financial liabilities carried at amortized cost	(106,475)	(108,658)	(1,827,037)	(1,730,814)	(1,933,512)	(1,839,472)
Derivative financial instruments	(471)	(483)	-	(13,399)	(471)	(13,882)
Other liabilities	-	-	-	(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
Statements of income						
Net gains on financial instruments / interest income	12,842	74,431	99,407	471,955	112,249	546,386
Interest expense	(15,632)	(6,887)	(4,276)	(163,175)	(19,908)	(170,062)
Other operating income	(194,103)	-	349	271	(193,754)	271

As of June 30, 2017, transactions with related parties have no guarantees given and received. Additionally, the Bank did not record any allowance or provision for doubtful debts for the semester ended June 30, 2017 and year ended December 31, 2016.

Total compensation paid to key management personnel totaling this period R\$4,970 (December 31, 2016 – R\$2,550) which is considered short term benefit.

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31. Other information

a. Deposits

The interbank deposits and time deposits issued at market rates had the following weighted average maturities:

	30/06/2017	31/12/2016
Interbank deposits	692	753
Time deposits	607	621

b. Cash and cash equivalents

	30/06/2017	30/06/2016
Cash and balances at Central Bank	2,655,611	4,160,149
Amounts receivable from banks		
Interbank deposits	1,197,240	454,184
Overnight investments	1,071,217	1,603,507
Open market investments	7,561,662	2,676,191
Balances at the end of period	12,485,730	8,894,031

c. Commitments and responsibilities

The Bank 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

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

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

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

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The item “Loans contracted to release” register amounts related to loans contracted with clients to release.

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

32.Subsequent events

On August 2017, considering a demand from B3 S.A., regarding the permanence of the trading price of BBTG12 units higher than R\$1.00, the Companies have analyzed potential structures to fulfil the applicable regulation.

The Boards of Directors of the Companies approved, the automatic migration of all currently remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, BPAC11 for Bank investors and BBTG12 for BTGP investors. Each holder of a BBTG11 unit as of the end of the trading session on August 18, 2017, starting from the beginning of the trading session on 2 August 21, 2017, automatically hold one BPAC11 unit and one BBTG12 unit for each BBTG11 unit previously held by such holder, without any other significant change to such holders.