Financial Statements

Banco BTG Pactual S.A.

June 30, 2018

with independent auditor's review report.

BANCO BTG PACTUAL S.A.

Financial Statements

June 30, 2018

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São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

A free translation from Portuguese into English of the Independent Auditors' Report on individual financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent auditor's report on the financial statements

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

Opinion

We have audited the financial statements of Banco BTG Pactual S.A. (Bank), which comprise the balance sheet as of June 30, 2018, and the related statements of income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco BTG Pactual S.A. as of June 30, 2018 and its financial performance and its cash flows for the six-month period then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion

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

Emphasis of matters

Foreign subsidiary equity pickup

As mentioned on the financial statements footnote n°13, the Bank holds investments on EFG International ("EFG"), but has no timely access on the financial information of this subsidiary before its financial statements is released. Therefore, the equity pickup is recognized in a period longer than allowed by the rules from the Central Bank of Brazil, as well as any adjustment recorded by EFG will only be considered in a later period by the Bank. Our conclusion is not qualified in respect of this matter.

Uma empresa-membro da Ernst & Young Global Limited

Tax credits recorded in jointly-controlled subsidiary

At June 30, 2018, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R$ 3.0 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A. Our opinion is not qualified in respect of this matter.

Key audit matters

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

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on accompanying financial statements.

Fair value measurement of complex and illiquid financial instruments and derivatives

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

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

Based on the evidence obtained from the procedures performed on these complex and illiquid financial instruments and derivatives, which were consistent with management evaluation, we considered that the criteria and assumptions adopted by management on the fair value measurement of these complex and illiquid financial instruments and derivatives were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnotes 8 and 9 to the Bank's financial statements.

Allowance for loan losses

The Bank has a corporate credit portfolio, for which management uses its judgment in determining the allowance for loan losses in accordance with the CMN Resolution no. 2682/1999. We consider it as a key audit matter, due to the subjectivity involved in the determination of the allowance for loan losses, which requires the considerations of, among other factors, recoverable value of corresponding loans, both at the individual-loan and economic-group levels, financial-economic of counterparties, assessment of underlying guarantees, and credit-renegotiations.

Our audit procedures included, among others, the understanding of the process established by management, and tests of details related to: (i) the totality and integrity of the database; (ii) determination of levels of provision by borrowers and subsequently the rating, through models and assumptions adopted by management, based on data and market assumptions, when available; (iii) measurement of guarantees; (iv) monitoring of renegotiated transactions; and (v) the adequacy of footnote disclosures.

Based on the evidence obtained from the procedures performed on allowance for loan losses, which as consistent with management evaluation, we considered that the criteria and assumptions used by management on measurement and accounting were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote 10 to the Bank's financial statements.

Related party transactions

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

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

Based on the evidence obtained from the procedures performed on related party transactions, which were consistent with management evaluation, we considered that management policies and criteria in identifying and recognizing these transactions were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote 25 to the Bank's financial statements.

Information technology (IT) environment

Because of the volume and complexity, the operations of the Bank are highly dependent on the proper functioning of the IT structures and its systems. Therefore, we considered the IT environment as one of the key audit matters.

Our audit procedures included, among others, the involvement of IT experts in conducting tests of information technology general controls for processes of managing changes and access to the systems that we deemed relevant to the preparation of the financial statements.

Our tests over design and operation of the information technology general controls considered relevant to the audit provided support to the nature, time and extent of our audit substantive testing.

Other matters

Statement of value added

The statement of value added (SVA), for the six-month period ended June 30, 2018, prepared under the responsibility of Bank's management, and presented as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was subject to the same audit procedures performed in conjunction with the audit of the financial statements of the Bank. For the purposes of forming our opinion, we evaluated whether this statement was reconciled with the financial statements and accounting records, as applicable, and whether their layout and content were in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and were consistent with the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process, and includes Management, Audit Committee and Board of Directors.

Building a better working world

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and that we communicated to them all relationships and other matters that may be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when in extremely rare circumstances we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, August 07, 2018.

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

Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A.

Balance sheets

As at June, 30
(In thousands of reais)

	Note	30/06/2018	30/06/2017
Assets			
Current assets		112,344,463	87,871,100
Cash at banks	6	2,026,561	586,175
Interbank investments	7	44,588,385	28,487,139
Open market investments		43,163,969	26,204,911
Interbank deposits		1,424,416	2,282,228
Securities and derivative financial instruments		29,289,184	35,993,621
Own portfolio	8	17,608,274	14,186,807
Subject to repurchase agreements	8	1,807,665	3,505,313
Subject to unrestricted repurchase agreements	8	19,187	232,611
Derivative financial instruments	9	8,910,811	16,766,341
Subject to guarantees	8	943,247	1,302,549
Interbank transactions		2,037,842	1,581,980
Deposits in the Central Bank of Brazil		2,036,964	1,580,638
Restricted credits – National Housing System		878	-
Correspondents		-	1,342
Loans	10	5,101,203	3,496,587
Loans		5,277,113	4,021,902
Transferred loans with coobligation		296,223	257,781
Allowance for loan losses		(472,133)	(783,096)
Other receivables		29,277,274	17,715,495
Foreign exchange portfolio	11	18,108,263	9,121,000
Income receivable	12	547,100	518,883
Securities trading and brokerage	11	5,307,180	1,400,530
Sundry	12	5,320,752	6,832,707
Allowance for losses on other receivables		(6,021)	(157,625)
Other assets		24,014	10,103
Other assets		2,569	2,207
Prepaid expenses		21,445	39,509
Provision for losses		-	(31,613)
Long-term-assets		42,770,295	38,840,034
Interbank investments	7	4,148,050	4,952,037
Open market investments		4,116,293	4,952,037
Interbank deposits		31,757	-
Securities and derivative financial instruments		22,828,031	20,305,404
Own portfolio	8	1,018,191	565,003
Subject to repurchase agreements	8	568,139	668,729
Derivative financial instruments	9	21,230,642	18,949,627
Subject to guarantees	8	11,059	122,045
Interbank transactions		186,018	228,263
Restricted credits – National Housing System		186,018	228,263
Loans	10	9,405,590	7,872,617
Loans		9,676,004	7,961,952
Transferred loans with coobligation		29,390	95,094
Allowance for loan losses		(299,804)	(184,429)
Other receivables		6,172,084	5,335,664
Income receivable			89,403
Sundry	12	6,448,218	5,277,484
Allowance for losses on other receivables		(276,134)	(31,223)
Other assets		30,522	146,049
Temporary investments		-	52,149
Other assets		82,909	102,202
Prepaid expenses		9,175	-
Provision for losses on other assets		(61,562)	(8,302)
Permanent assets		13,008,211	16,733,534
Investments		12,910,328	16,613,041
Investments in subsidiaries, associates and jointly controlled entities - in Brazil	13	10,476,068	13,951,882
Investments in subsidiaries, associates and jointly controlled entities - abroad	13	2,432,895	2,659,794
Other investments		4,232	4,232
Allowance for losses in investments		(2,867)	(2,867)
Property and equipment in use		37,264	42,022
Other property and equipment in use		153,736	147,253
Accumulated depreciation		(116,472)	(105,231)
Intangible assets	14	60,619	78,471
Other intangible assets		213,263	209,424
Accumulated amortization		(152,644)	(130,953)
Total assets		168,122,969	143,444,668

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

BANCO BTG PACTUAL S.A.

Balance sheets

As at June, 30
(In thousands of reais)

	Note	30/06/2018	30/06/2017
Liabilities			
Current liabilities		108,578,323	81,919,527
Deposits	15	20,752,418	15,254,051
Demand deposits		139,271	88,423
Interbank deposits - with associates, jointly controlled ans subsidiaries		428,427	3,779,847
Interbank deposits		161,328	285,988
Time deposits		20,023,392	11,099,793
Open market funding	15	41,612,209	32,606,833
Own portfolio		2,612,166	4,687,078
Third-party portfolio		29,801,140	26,067,248
Unrestricted portfolio		9,198,903	1,852,507
Funds from securities issued and accepted	15	3,311,049	3,649,530
Real estate, mortgage, credit and similar notes		3,167,066	3,237,013
Securities issued abroad		106,662	378,364
Certificate of structured transactions		37,321	34,153
Interbank transactions		6,295	3,253
Unsettled receipts and payments		6,295	3,253
Interdependencies transactions		144,844	27,512
Unsettled third party assets		144,844	27,512
Loans and borrowings	15	3,955,158	868,122
Loans abroad		1,805,979	822,117
Borrowings in Brazil – official institutions		2,149,179	46,005
Derivative financial instruments	9	16,185,216	16,699,141
Derivative financial instruments		16,185,216	16,699,141
Other liabilities		22,611,134	12,811,085
Collection and payments of tax and similar charges		5,472	2,081
Foreign exchange portfolio	11	17,682,481	8,848,867
Social and statutory	16	208,790	873,731
Tax and social security	16	93,398	32,917
Securities trading and brokerage	11	2,817,056	1,588,718
Subordinated debt	15	1,623,089	1,265,249
Sundry	16	180,848	199,522
Long-term liabilities		40,264,224	43,412,718
Deposits	15	850,235	884,212
Interbank deposits		16,585	40,162
Time deposits		833,650	844,050
Open market funding	15	1,064,643	1,103,234
Unrestricted portfolio		1,064,643	1,103,234
Funds from securities issued and accepted	15	8,439,804	4,752,567
Real estate, mortgage, credit and similar notes		4,316,851	3,169,876
Securities issued abroad		4,023,629	1,533,520
Certificate of structured transactions		99,324	49,171
Loans and onlending	15	1,280,519	2,816,993
Loans abroad		696,329	208,808
Onlending in Brazil – official institutions		584,190	2,608,185
Derivative financial instruments	9	18,427,181	21,382,475
Derivative financial instruments		18,427,181	21,382,475
Other liabilities		10,201,842	12,473,237
Tax and social security	16	27,567	56,733
Subordinated debt	15	4,255,237	5,569,262
Debt instrument eligible to equity	15	3,559,807	4,377,898
Sundry	16	2,359,231	2,469,344
Deferred income		115,906	87,579
Shareholders' equity	19	19,164,516	18,024,844
Capital stock - domiciled in Brazil		4,898,856	4,727,289
Capital stock - domiciled Abroad		2,493,236	2,493,237
Capital Reserve		652,515	652,515
Asset valuation adjustment		1,591,286	234,020
Income reserves		9,592,409	9,681,075
Treasury shares		(277,325)	(86,555)
Retained earnings		213,539	323,263
Total liabilities and shareholders' equity		168,122,969	143,444,668

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

BANCO BTG PACTUAL S.A.

Statements of income
Semesters ended June 30
(In thousands of reais, except for earnings per share)

	Note	30/06/2018	30/06/2017
Financial income		3,037,122	3,740,422
Loans		467,872	606,628
Securities		2,266,136	2,637,720
Derivative financial instruments		-	155,390
Foreign exchange		265,216	246,461
Mandatory investments		37,898	94,223
Financial expenses		(4,821,495)	(3,408,148)
Funding operations		(2,170,387)	(3,043,973)
Derivative financial instruments		(1,083,961)	-
Borrowings		(1,496,578)	(193,131)
Allowance for loan losses and other receivables	10	(70,569)	(171,044)
Net financial income		(1,784,373)	332,274
Other operating income (expenses)		1,106,435	612,002
Income from services rendered	20	437,137	323,268
Personnel expenses		(146,810)	(121,283)
Other administrative expenses	23	(337,753)	(317,125)
Tax charges	24	30,561	(38,596)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	1,139,896	764,579
Other operating income	21	120,888	153,910
Other operating expenses	22	(137,484)	(152,751)
Operating income		(677,938)	944,276
Non-operating income	25	118,423	2,792
Income / (loss) before taxation and profit sharing		(559,515)	947,068
Income tax and social contribution	18	909,612	233,257
Provision for income tax		-	3,768
Provision for social contribution		-	2,952
Deferred income tax and social contribution		909,612	226,537
Statutory profit sharing		(125,673)	(183,442)
Net income for the semester		224,424	996,883
Interest on equity		353	(623,776)
Weighted average numbers of share outstanding		2,778,465,411	2,766,744,628
Net income per share - R$		0.08	0.36

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

BANCO BTG PACTUAL S.A.

Statements of changes in shareholders' equity

Semesters ended June 30

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

				Income reserves								
	Note	Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	Total	Asset valuation adjustment	Treasury shares	Retained earnings	Total
Balances as at December 31, 2016		7,220,526	652,515	-	1,078,199	3,236,533	5,516,059	9,830,791	39,756	(70,834)	-	17,672,754
Own shares acquired	19b	-	-	-	-	-	-	-	-	(215,281)	-	(215,281)
Cancelation of treasury shares	19b	-	-	-	-	-	(199,560)	(199,560)	-	199,560	-	-
Interest on equity received by on shares repurchase	19b	-	-	-	-	-	-	-	-	-	6,224	6,224
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	(1,576)	-	-	(1,576)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(2,475)	-	-	(2,475)
Exchange variation of investments		-	-	-	-	-	-	-	198,315	-	-	198,315
Net income for the semester		-	-	-	-	-	-	-	-	-	996,883	996,883
Net income allocation												
Income reserve		-	-	-	49,844	-	-	49,844	-	-	(49,844)	-
Interest on equity (R$0.23 per share)		-	-	-	-	-	-	-	-	-	(630,000)	(630,000)
Balances as at June 30, 2017		7,220,526	652,515	-	1,128,043	3,236,533	5,316,499	9,681,075	234,020	(86,555)	323,263	18,024,844
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,826	6,103,773	10,089,106	428,577	(93,063)	-	18,469,227
Own shares acquired	19b	-	-	-	-	-	-	-	-	(184,262)	-	(184,262)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	353	353
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(88,108)	-	-	(88,108)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	215,968	-	-	215,968
Exchange variation of investments	13	-	-	-	-	-	-	-	1,034,849	-	-	1,034,849
Intermediate interest on equity (R$0.11 per share)	19	-	-	600,000	-	-	(600,000)	-	-	-	-	-
Changes in accounting practices of associates	2	-	-	-	-	-	(507,935)	(507,935)	-	-	-	(507,935)
Net income for the semester		-	-	-	-	-	-	-	-	-	224,424	224,424
Net income allocation												
Income reserve		-	-	-	11,238	-	-	11,238	-	-	(11,238)	-
Balances as at June 30, 2018		7,392,092	652,515	600,000	1,192,745	2,803,826	4,995,838	9,592,409	1,591,286	(277,325)	213,539	19,164,516

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

BANCO BTG PACTUAL S.A.

Statements of cash flows
Semesters ended June 30
(In thousands of reais)

	Note	30/06/2018	30/06/2017
Operating activities			
Net income for the semester		224,424	996,883
Adjustments to net income		(1,306,085)	(441,198)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	(1,159,807)	(800,837)
Interest expense with subordinated debt and debt instrument eligible to equity		728,561	532,042
Permanent assets exchange variation		(507)	(14)
Goodwill amortization		19,911	36,258
Deferred income tax and social contribution	18	(909,612)	(226,537)
Depreciation and amortization	23	15,369	17,890
Adjusted net income for the semester		(1,081,661)	555,685
Operational activities			
Short-term interbank investments		(9,886,378)	2,838,551
Securities and derivative financial instruments		504,021	4,324,327
Loans		(2,055,456)	(1,267,173)
Other receivables and other assets		(3,044,540)	8,751,854
Interbank transactions		(542,743)	399,836
Interdependencies transactions		120,488	(55,090)
Other liabilities		6,255,150	(6,695,998)
Deferred income		33,762	8,788
Deposits		4,938,026	2,197,662
Open market funding		8,258,577	3,411,016
Loans and borrowings		612,009	336,852
Cash (used in) / provided by operating activities		4,111,255	14,806,310
Investing activities			
Acquisition / (sale) of investments and capital increase	13	(271,104)	1,306,240
Sale of property and equipment in use		137	-
Acquisition of property and equipment in use		(5,784)	(751)
Acquisition of intagible assets	14	(2,363)	(9,830)
Dividends and interest on equity received	13	197,747	210,349
Cash provided by investing activities		(81,367)	1,506,008
Financing activities			
Acquisition of treasury shares		(184,262)	(215,281)
Funds from securities issued and accepted		2,088,479	(1,355,297)
Subordinated debt and debt instrument eligible to equity		(690,520)	(942,084)
Interest on equity	19	(608,622)	(883,776)
Cash provided by / (used in) financing activities		605,075	(3,396,438)
Increase in cash and cash equivalents	27	4,634,963	12,915,880
Balance of cash and cash equivalents			
At the beginning of the semester		22,446,290	13,251,905
At the end of the semester		27,081,253	26,167,785
Increase in cash and cash equivalents		4,634,963	12,915,880
Noncash transactions		73,391	2,719,824
Interest on equity		-	(630,000)
Acquisition / sale of investments	13	161,499	3,352,299
Changes in fair value of assets available for sale		(88,108)	(2,475)

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

BANCO BTG PACTUAL S.A.

Statements of value added
Semesters ended June 30
(In thousands of reais)

	Note	30/06/2018	30/06/2017
Income		3,576,087	4,067,641
Financial income		3,037,122	3,740,422
Services rendered	20	437,137	323,268
Other		101,828	3,951
Expenses		(4,821,495)	(3,408,148)
Financial brokerage		(4,750,926)	(3,237,104)
Allowance for loan losses and other receivables	10	(70,569)	(171,044)
Inputs acquired from third parties		(301,770)	(279,462)
Materials, energy and other		(3,750)	(3,147)
Outsourced services		(298,020)	(276,315)
Gross value added		(1,547,178)	380,031
Depreciation and amortization	23	(15,369)	(17,890)
Net value added produced by the entity		(1,562,547)	362,141
Value added received through transfer		1,139,896	764,579
Equity pick up in subsidiaries, associates and jointly controlled entities	13	1,139,896	764,579
Value added to be distributed		(422,651)	1,126,720
Distribution of value added		(422,651)	1,126,720
Personnel		272,483	304,725
Direct compensation		226,519	268,942
Benefits		39,710	30,381
FGTS – government severance pay fund		6,254	5,402
Taxes, fees and contributions		(940,173)	(194,661)
Federal		(962,500)	(208,364)
Municipal		22,327	13,703
Remuneration of third party capital		20,615	19,773
Rent		20,615	19,773
Remuneration of shareholders		224,424	996,883
Retained earnings		224,777	373,107
Interest on equity		(353)	623,776

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

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, and investment portfolios, credit, financing and investment, leasing and real estate loans.

Transactions are conducted by a group of institutions fully participating in the financial market, and may be intermediated by other institutions from the BTG Pactual Group.

The Bank have units listed on B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank.

New unit programs

On February 14, 2017 the Board of Directors approved two new unit programs, whose units will be traded on the B3 S.A., representing exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the PPLA11 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations Ltd (previously named BTG Pactual Participations Ltd).

In August 2017, considering a notice from B3 S.A. regarding the the trading price of PPLA11 units approaching R$1.00 per unit, the Companies analyzed potential structure to meet the requirements of the applicable regulation.

The Boards of Directors of the Companies approved BBTG11 unit holders to receive units from the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. From the beginning of the trading session on August 21, 2017 to the end of the trading session on August 18, 2017, each holder of the BPAC 11 units automatically received one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit, without any other significant changes.

2. Corporate restructuring and acquisitions

Corporate reorganizations

On April 20, 2018, Banco Pan SA informed its shareholders and the market in general that the capital increase of the company authorized by its Board of Directors was approved by the Central Bank of Brazil on February 7, 2018. After the capital increase, BTG Pactual now holds approximately 577,662 shares issued by Banco Pan SA, corresponding to 50.6% of its Capital Stock.

On November 2017, Banco Pan S.A. approved a capital increase in the amount of R$400 million. CaixaPar assigned to Banco its rights to subscribe the capital increase and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan S.A.. The capital increase was concluded on February 7, 2018.

Despite the new composition of the company's capital stock, the shared control of Banco Pan SA was not altered, and Caixa Participações S.A. - Caixapar and BTG Pactual remain as co-controllers of the company.

On October 27, 2017, the Bank approved the merger of Thor Comercializadora de Energia S.A., a company whose main activity is the sale of energy, and BTG Pactual Serviços Energéticos Ltda, a company that provides financial administrative services involving the sale of energy. The merger was concluded on March 29, 2018.

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

During the year ended December 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% of its own shares held by the Bank. The total consideration paid was US$251 million and the price was equivalent to Engelhart CTP's net asset accounting value. On June 30, 2018 the Group has a stake equivalent to 18.96% of Engelhart CTP (June 30, 2017 – 21,23%). During the semester ended on June 30, 2018, Engelhart CTP did not acquire its own shares held by the Bank.

Acquisitions and disposals

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders 'equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R$508.7 million as a reduction of the Statutory Reserve.

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

On October 31, 2017, BW Properties S.A., through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., concluded the sale of the remaining portion of the WT Morumbi project for a total amount of R$ 231.8 million.

On October 5, 2017, the Bank acquired Novaportfólio, a company that holds certain NPL assets of Banco BVA S.A. in connection with its extrajudicial liquidation, for a consideration of R$211 million.

3. Presentation of the financial statements

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

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

The financial statements were approved by Bank's Management on August 7, 2018, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

Functional currency

The items amounts 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 financial statements are presented in reais (R$), which is the Bank's functional currency.

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

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

4. Significant accounting practices

The signicant accounting practices adopted by the Bank are the following:

a. Cash and cash equivalents

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

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

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

c. Securities

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

i. Trading securities

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

ii. Available for sale securities

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

iii. Held to maturity securities

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, with interest recorded on profit or loss. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, are recorded in statements of income as realized losses.

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

d. Derivative financial instruments

These are classified according to Management's intention, on the transaction date, considering whether such transactions will be conducted to hedge against risk or not.

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

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 income (loss) for the period;

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

- 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 the statements of income for the period.

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

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

The transactions performed in the forward market of financial assets and commodities are registered by the final agreed value, deducted from the difference between this amount and the price of the good or right adjusted at market prices, at the adequate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.
Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, adjusted at fair value, with a corresponding entry to statements of income.

The notional amount of the agreements is recorded in memorandum accounts.

f. Financial instruments – net presentation

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

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

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

h. Loans and other receivables (transactions with loan characteristics)

Recorded at present value, then amortized based on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

i. Allowance for loan losses

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

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodic analysis of client quality and of activity industries and not only upon default.

- Considering exclusively the default, Loans in default are written off against the allowance after the losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

j. Investments

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

k. Foreign currency translation

See note 3.

l. Goodwill or negative goodwill

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

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

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

m. Property and equipment in use and deferred charges

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

n. Intangible assets

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

o. Impairment

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

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

p. Income tax and social contribution

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

q. Contingent assets and liabilities, legal, tax and social security obligations

Recognized according to the criteria described below:

i. Contingent assets

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

ii. Contingent liabilities

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

iii. Legal obligation – tax and social security

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

r. Earnings per share

Calculated based on the weighted average numbers of shares outstanding for the period.

s. Revenue recognition

Revenues and expenses are recorded on the accrual basis.

5. Risk management

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

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees/areas (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk management section.

a. Operating limits

	30/06/2018	30/06/2017
Reference Shareholders' Equity	19,164,516	18,024,844
Tier I	13,485,344	15,710,160
Common Equity	9,949,687	11,353,733
Complementary equity	3,535,657	4,356,427
Tier II	2,057,576	2,855,188
Reference Shareholders' Equity (PR) - (a)	15,542,920	18,565,348
Required Reference Shareholders' Equity (PRE)	7,754,796	9,055,292
Total exposure risk-weighted - (b)	89,910,675	97,895,045
Credit risk	57,021,780	53,411,550
Operational risk	8,934,201	7,080,091
Market risk	23,954,694	37,403,404
Basel ratio - (a/b)	17.3%	19.0%
Tier I capital	15.0%	16.0%
Tier II capital	2.3%	3.0%
Fixed assets ratio	69.1%	52.6%
Fixed assets to equity capital ratio	7,761,993	9,277,312
Status for fixed assets to equity capital ratio	5,366,657	4,879,264
Amount of margin or insufficient	2,395,336	4,398,048

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

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

As at the semester ended June 30, 2018 and 2017 the Bank was in compliance with all operating limits.

b. Market risk

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

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

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

In millions of R$	**June 2018**	**December 2017**	**June 2017**
Daily average VaR	75.4	120.3	103.4

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to strict 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 bonds, derivatives, guarantees given, possible settlement risks among others.

d. Liquidity risk

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

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

6. Cash at banks

Cash refer basically to deposits abroad in prime banks.

7. Interbank investments

	30/06/2018					30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	47,280,262	36,185,240	6,978,729	4,058,389	57,904	31,156,948
Own portfolio	7,146,433	4,099,882	1,908,285	1,138,266	-	2,559,696
Federal government bonds	7,136,762	4,090,211	1,908,285	1,138,266	-	2,484,083
Corporate bonds	9,671	9,671	-	-	-	75,613
Third-party portfolio	30,115,554	25,123,268	2,959,356	2,025,832	7,098	26,708,185
Federal government bonds	29,617,846	24,625,560	2,959,356	2,025,832	7,098	26,668,085
Corporate bonds	497,708	497,708	-	-	-	40,100
Short position	10,018,275	6,962,090	2,111,088	894,291	50,806	1,889,067
Federal government bonds	10,018,275	6,962,090	2,111,088	894,291	50,806	1,889,067
Interbank investments	1,456,173	1,206,360	218,056	31,757	-	2,282,228
Interbank deposit certificates	307,316	57,503	218,056	31,757	-	1,228,696
Investments in foreign currency - overnight	1,148,857	1,148,857	-	-	-	1,053,532
Total	48,736,435	37,391,600	7,196,785	4,090,146	57,904	33,439,176

As at June 30, 2018 the collateral received in repurchase agreements amounts to R$48,032,447 (June 30, 2017- R$31,538,924), whereas the collateral granted amounts to R$48,032,447 (June 30, 2017 – R$34,228,012).

8. Securities

a. Summary by type of portfolio

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

	30/06/2018							30/06/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	18,925,634	18,626,465	16,918,927	275,044	309,366	228,298	894,830	14,751,810
Federal government bonds	139,934	139,941	85,443	1,630	2,053	39,817	10,998	221,436
Brazilian foreign debt securities	-	-	-	-	-	-	-	43,131
Debentures/Eurobonds (i)	797,179	656,620	358	7,775	280,252	138,971	229,264	287,296
Certificate of real estate receivables	305,979	280,869	2,490	-	2,834	1,442	274,103	41,469
Bank certificates of deposit	-	-	-	-	-	-	-	7,970
Investment fund quotes								
Multimarket	9,008,834	9,008,834	9,008,834	-	-	-	-	8,933,462
Shares	20,067	20,067	20,067	-	-	-	-	104,654
FIDC - Credit rights	600,060	600,060	600,060	-	-	-	-	343,548
Equity investment fund	713,244	713,244	713,244	-	-	-	-	928,610
Real estate	140,573	140,573	140,573	-	-	-	-	36,006
Shares	6,454,243	6,324,602	6,071,042	253,560	-	-	-	2,821,920
Others	236,538	254,259	225,322	3,234	-	11,285	14,418	220,264
Foreign private securities	365,543	345,978	-	1,735	20,319	23,472	300,452	438,637
Foreign government bonds	143,440	141,418	51,494	7,110	3,908	13,311	65,595	323,407
Unrestricted portfolio	19,192	19,187	320	-	5,963	12,904	-	232,611
Federal government bonds	19,192	19,187	320	-	5,963	12,904	-	232,611
Subject to repurchase agreements	2,411,612	2,375,804	855,214	114,903	404,887	646,010	354,790	4,174,042
Federal government bonds	1,310,615	1,309,609	828,826	-	36,029	424,126	20,628	2,481,390
Corporate bonds / Eurobonds (i)	706,480	674,881	19,913	86,829	122,835	220,172	225,132	1,161,872
Certificate of real estate receivables	6,475	6,475	6,475	-	-	-	-	289,464
Foreign private securities	148,562	146,623	-	19,991	55,342	1,712	69,578	79,775
Foreign government bonds	218,940	217,657	-	-	190,681	-	26,976	161,541
Others	20,540	20,559	-	8,083	-	-	12,476	-

	30/06/2018							30/06/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Subject to guarantees	978,730	954,306	526,868	69,672	251,146	106,620	-	1,424,594
Federal government bonds	533,237	532,796	125,672	60,417	240,087	106,620	-	537,003
Investment fund quotes								
Multimarket	31,277	31,277	31,277	-	-	-	-	-
Corporate bonds / Eurobonds (i)	-	-	-	-	-	-	-	117,659
Bank certificates of deposit	-	-	-	-	-	-	-	102,690
Certificate of real estate receivables	11,059	11,059	-	-	11,059	-	-	18,462
Promissory notes	-	-	-	-	-	-	-	32,354
Shares	348,902	324,919	324,919	-	-	-	-	616,426
Others	54,255	54,255	45,000	9,255	-	-	-	-
Trading securities	20,079,315	19,917,548	17,930,377	369,746	571,740	639,795	405,890	15,565,697
Available for sale securities	2,255,853	2,058,214	370,952	89,873	399,622	354,037	843,730	5,017,360
Total	**22,335,168**	**21,975,762**	**18,301,329**	**459,619**	**971,362**	**993,832**	**1,249,620**	**20,583,057**

(i) Substantially securities issued by Brazilian companies.

b. Trading securities

	30/06/2018							30/06/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	17,418,597	17,285,468	16,599,165	272,000	43,638	94,433	276,232	11,354,261
Federal government bonds	139,934	139,941	85,443	1,630	2,053	39,817	10,998	221,436
Brazilian foreign debt securities	-	-	-	-	-	-	-	43,131
Debentures/Eurobonds	130,753	128,631	-	4,731	17,358	5,891	100,651	-
Certificate of real estate receivables	3,145	3,147	2,490	-	-	657	-	-
Bank certificates of deposit	-	-	-	-	-	-	-	7,970
Investment fund quotes								
Multimarket	9,008,834	9,008,834	9,008,834	-	-	-	-	6,196,023
Shares	20,067	20,067	20,067	-	-	-	-	104,654
FIDC - Credit rights	600,060	600,060	600,060	-	-	-	-	343,548
Equity investment fund	598,000	598,000	598,000	-	-	-	-	817,529
Real estate	140,573	140,573	140,573	-	-	-	-	36,006
Shares	6,454,243	6,324,602	6,071,042	253,560	-	-	-	2,821,920
Others	29,425	49,637	21,162	3,234	-	11,285	13,956	-
Foreign private securities	150,123	130,558	-	1,735	20,319	23,472	85,032	438,637
Foreign government bonds	143,440	141,418	51,494	7,110	3,908	13,311	65,595	323,407
Unrestricted portfolio	19,192	19,187	320	-	5,963	12,904	-	232,611
Federal government bonds	19,192	19,187	320	-	5,963	12,904	-	232,611
Subject to repurchase agreements	1,705,132	1,700,923	835,301	28,074	282,052	425,838	129,658	2,722,706
Federal government bonds	1,310,615	1,309,609	828,826	-	36,029	424,126	20,628	2,481,390
Certificate of real estate receivables	6,475	6,475	6,475	-	-	-	-	-
Foreign private securities	148,562	146,623	-	19,991	55,342	1,712	69,578	79,775
Foreign government bonds	218,940	217,657	-	-	190,681	-	26,976	161,541
Others	20,540	20,559	-	8,083	-	-	12,476	-
Subject to guarantees	936,394	911,970	495,591	69,672	240,087	106,620	-	1,256,119
Federal government bonds	533,237	532,796	125,672	60,417	240,087	106,620	-	537,003
Bank certificates of deposit	-	-	-	-	-	-	-	102,690
Shares	348,902	324,919	324,919	-	-	-	-	616,426
Others	54,255	54,255	45,000	9,255	-	-	-	-
Total	**20,079,315**	**19,917,548**	**17,930,377**	**369,746**	**571,740**	**639,795**	**405,890**	**15,565,697**

c. Available-for-sale securities

	30/06/2018							30/06/2017
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	1,507,037	1,340,997	319,762	3,044	265,728	133,865	618,598	3,397,549
Debentures	666,426	527,989	358	3,044	262,894	133,080	128,613	287,296
Certificate of real estate receivables	302,834	277,722	-	-	2,834	785	274,103	41,469
Foreign private securities	215,420	215,420	-	-	-	-	215,420	-
Other	207,113	204,622	204,160	-	-	-	462	220,264
Investment fund quotes								
Multimarket	-	-	-	-	-	-	-	2,737,439
Equity investment fund	115,244	115,244	115,244	-	-	-	-	111,081
Subject to repurchase agreements	706,480	674,881	19,913	86,829	122,835	220,172	225,132	1,451,336
Debentures	706,480	674,881	19,913	86,829	122,835	220,172	225,132	1,161,872
Certificate of real estate receivables	-	-	-	-	-	-	-	289,464
Subject to guarantees	42,336	42,336	31,277	-	11,059	-	-	168,475
Debentures	-	-	-	-	-	-	-	117,659
Investment fund quotes								
Multimarket	31,277	31,277	31,277	-	-	-	-	-
Certificate of real estate receivables	11,059	11,059	-	-	11,059	-	-	18,462
Promissory notes	-	-	-	-	-	-	-	32,354
Total	**2,255,853**	**2,058,214**	**370,952**	**89,873**	**399,622**	**354,037**	**843,730**	**5,017,360**

d. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention ocurred during the semester ended on June 30, 2018 and 2017.

9. Derivative financial instruments

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

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

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

As at the semester ended June 30, 2018 and 2017, the Bank does not have derivative financial instruments classified as hedge accounting.

a. Recognized in memorandum and balance sheet accounts

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

	30/06/2018				30/06/2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	17,815,260	3,139,155	8,807,649	29,762,064	115,901,939
Currency	4,628,247	-	-	4,628,247	463,326
Interest rate	13,164,064	3,139,155	8,622,087	24,925,306	115,297,683
Index	22,949	-	185,562	208,511	-
Other	-	-	-	-	140,930
Short position	29,366,574	2,390,341	7,095,163	38,852,078	20,148,570
Currency	7,254	-	-	7,254	5,317,964
Interest rate	28,543,594	2,390,341	7,012,948	37,946,883	12,713,425
Index	814,193	-	82,215	896,408	-
Equities	968	-	-	968	-
Other	565	-	-	565	2,117,181
Swap					
Long position	40,073,145	14,067,119	81,613,770	135,754,034	136,341,750
Currency	919,872	526,478	60,923,308	62,369,658	43,160,606
Interest rate	37,111,872	12,782,331	16,950,622	66,844,825	91,486,330
Commodities	36,433	2,823	-	39,256	31,856
Index	933,930	385,915	2,993,120	4,312,965	5,372
Equities	288,140	269,045	461,805	1,018,990	312,898
Other	782,898	100,527	284,915	1,168,340	1,344,688
Short position	40,073,145	14,067,119	81,613,770	135,754,034	136,341,750
Currency	10,213,948	699,405	4,063,975	14,977,328	6,936,195
Interest rate	27,529,793	11,908,180	72,915,053	112,353,026	127,368,178
Index	1,546,068	856,715	3,815,817	6,218,600	1,097,400
Commodities	40,164	2,823	-	42,987	71,281
Equities	186,157	419,191	82,220	687,568	208,393
Other	557,015	180,805	736,705	1,474,525	660,303
Credit derivatives					
Long position	1,182,959	674,765	379,989	2,237,713	1,611,959
Sovereign	1,182,959	674,765	283,594	2,141,318	1,457,163
Corporate	-	-	96,395	96,395	154,796
Short position	-	-	1,715,831	1,715,831	-
Sovereign	-	-	212,069	212,069	-
Corporate	-	-	1,503,762	1,503,762	-
Non-deliverable forward - NDF					
Long position	104,947,563	5,437,358	10,272,437	120,657,358	59,201,473
Currency	102,345,089	3,624,999	6,213,565	112,183,653	36,738,266
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Commodities	-	-	-	-	15,669,860
Government bonds	-	-	-	-	6,793,347
Short position	104,947,563	5,437,358	10,272,437	120,657,358	59,201,473
Currency	95,083,053	2,414,107	5,866,860	103,364,020	42,015,506
Interest rate	7,251,284	1,208,774	346,705	8,806,763	1,450,004

	30/06/2018				30/06/2017
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Index	2,602,474	1,812,359	4,058,872	8,473,705	-
Government bonds	-	-	-	-	66,103
Commodities	-	-	-	-	15,669,860
Other	10,752	2,118	-	12,870	-
Deliverable forward - DF					
Long position	-	-	-	-	23,518,604
Currency	-	-	-	-	23,518,604
Short position	-	-	-	-	23,518,604
Currency	-	-	-	-	23,518,604
Security forwards					
Long position	1,897,391	-	-	1,897,391	1,006,255
Interest rate	1,399,202	-	-	1,399,202	-
Government bonds	498,189	-	-	498,189	1,006,255
Short position	1,897,391	-	-	1,897,391	1,006,255
	1,399,202	-	-	1,399,202	-
Interest rate	498,189	-	-	498,189	1,006,255
Options					
Long position					
Call option	20,592,138	21,984,233	94,381,196	136,957,567	139,320,326
Equities	141,187	306,305	196,911	644,403	357,584
Index	682,189	500	3,443	686,132	102
Currency	9,804,082	21,677,428	94,180,842	125,662,352	113,593,842
Interest rate	9,964,680	-	-	9,964,680	11,320,113
Other	-	-	-	-	14,048,685
Put option	21,048,165	12,305,119	118,628,744	151,982,028	165,656,465
Equities	3,728,699	102,179	175,202	4,006,080	563,278
Index	-	-	-	-	100
Currency	6,070,753	12,202,940	118,453,542	136,727,235	127,011,894
Interest rate	11,248,713	-	-	11,248,713	21,810,000
Other	-	-	-	-	16,271,193
Short position					
Call option	16,485,978	8,563,520	118,689,476	143,738,974	136,843,766
Equities	85,337	640	34,189	120,166	312,698
Index	361	585	189,805	190,751	279
Currency	5,884,220	8,562,295	118,465,482	132,911,997	123,136,189
Interest rate	10,516,060	-	-	10,516,060	1,915,258
Other	-	-	-	-	11,479,342
Put option	17,763,717	24,368,559	94,171,290	136,303,566	155,054,276
Equities	28,372	308	316	28,996	124,917
Index	616,583	-	-	616,583	158
Currency	5,870,049	24,368,251	94,170,974	124,409,274	116,338,741
Interest rate	11,248,713	-	-	11,248,713	22,043,200

b. By cost and market value

	30/06/2018					30/06/2017
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Swaps						
Long position	759,857	977,481	111,445	134,572	731,464	915,056
Short position	1,426,215	1,888,071	277,524	188,758	1,421,789	1,858,513
Credit derivatives						
Long position	101,401	47,303	11,648	13,166	22,489	87,787
Short position	51,491	35,597	-	-	35,597	-

	30/06/2018					30/06/2017
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Non-deliverable forward - NDF						
Long position	5,798,395	5,810,834	4,647,891	428,045	734,898	4,745,069
Short position	4,916,296	4,942,397	4,576,955	167,244	198,198	3,982,929
Deliverable forward - DF						
Long position	-	-	-	-	-	8,829,442
Short position	-	-	-	-	-	8,837,646
Forward transaction						
Long position	1,897,975	1,897,975	1,897,975	-	-	1,006,021
Short position	1,898,317	1,898,317	1,898,317	-	-	1,005,912
Options market						
Long position	30,121,937	21,407,860	888,189	777,880	19,741,791	20,132,593
Short position	29,323,829	25,848,015	4,900,877	4,175,541	16,771,597	22,396,616
Long position	**38,679,565**	**30,141,453**	**7,557,148**	**1,353,663**	**21,230,642**	**35,715,968**
Short position	**37,616,148**	**34,612,397**	**11,653,673**	**4,531,543**	**18,427,181**	**38,081,616**

c. Notional value by counterparty

	30/06/2018					30/06/2017
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	23,011,179	6,750,885	-	-	29,762,064	115,901,939
Short position	31,388,051	7,464,027	-	-	38,852,078	20,148,570
Swap						
Long position	-	133,527,607	2,213,777	12,650	135,754,034	136,341,750
Short position	-	133,527,607	2,213,777	12,650	135,754,034	136,341,750
Credit derivatives						
Long position	-	2,237,713	-	-	2,237,713	1,611,959
Short position	-	1,715,831	-	-	1,715,831	-
Non-deliverable forward - NDF						
Long position	-	106,824,618	13,627,410	205,330	120,657,358	59,201,473
Short position	-	106,824,618	13,627,410	205,330	120,657,358	59,201,473
Deliverable forward - DF						
Long position	-	-	-	-	-	23,518,604
Short position	-	-	-	-	-	23,518,604
Forward transactions						
Long position	-	1,897,391	-	-	1,897,391	1,006,255
Short position	-	1,897,391	-	-	1,897,391	1,006,255
Options market						
Long position	-	288,908,710	-	30,885	288,939,595	304,976,791
Short position	-	279,970,237	13,000	59,303	280,042,540	291,898,042
Long position	**23,011,179**	**540,146,924**	**15,841,187**	**248,865**	**579,248,155**	**642,558,771**
Short position	**31,388,051**	**531,399,711**	**15,854,187**	**277,283**	**578,919,232**	**532,114,694**

(i) Includes investments funds.

d. Credit derivatives

	30/06/2018	30/06/2017
Credit swap		
Transferred risk		
Sovereign	2,141,319	1,457,163
Corporate	96,395	154,796
Risk received		
Sovereign	(212,069)	-
Corporate	(1,503,762)	-
	521,883	1,611,959

During the semester ended June 30, 2018 and 2017, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at June 30, 2018 is R$182,216 (June 30, 2017 – R$72,391).

e. Guarantee margin

Guarantee margin in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government bonds and others, totaling R$122,858 (June 30, 2017 – R$525,119), and equities in the amount of R$324,919 (June 30, 2017 – R$616,426).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on B3 S.A., Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).

- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.

- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).

- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).

- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by B3 S.A. Fund quotas are valued based on quota prices disclosed by the custodian.

- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

10.Loans

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

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

Loans and other operations with loan characteristics are as follows:

a. Loans

i. By type of credit

	30/06/2018		30/06/2017	
Type of credit	Balance	Allowance	Balance	Allowance
Loans	10,435,214	(673,575)	8,341,091	(876,229)
Financing	1,660,223	(84,199)	902,690	(59,562)
FINAME/BNDES	2,857,680	(14,163)	2,740,073	(13,537)
Transfered loans with co-obligations (i)	325,613	-	352,875	(18,197)
Total	15,278,730	(771,937)	12,336,729	(967,525)

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

ii. By risk level and maturity

	30/06/2018						30/06/2017	
		Maturity						
Risk level	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	2,737,157	321,242	4,472,984	7,531,383	-	4,865,854	-
A	2	88,350	45,726	2,713,097	2,847,175	(14,235)	2,980,485	(14,902)
B	4	87,011	69,573	738,816	895,404	(8,954)	1,057,581	(10,576)
C	360	1,096,366	378,779	693,317	2,168,822	(109,399)	1,201,681	(50,746)
D	14,618	141,428	51,896	951,542	1,159,484	(193,529)	1,285,581	(166,422)
E	76,138	23,026	22,725	86,877	208,766	(62,630)	63,995	(19,198)
F	7,815	137,015	3,287	10,602	158,719	(81,435)	433,736	(257,865)
G	231,224	32	-	2,622	233,878	(226,656)	-	-
H	15,533	12,079	11,950	35,537	75,099	(75,099)	447,816	(447,816)
Total	345,694	4,322,464	905,178	9,705,394	15,278,730	(771,937)	12,336,729	(967,525)

iii. By activity sector

Sector	30/06/2018	30/06/2017
Commerce	428,662	333,096
Industry	3,673,370	414,262
Services	10,539,986	10,239,155
Rural	237,668	249,030
Individuals	399,044	1,101,186
Total	15,278,730	12,336,729

b. Other receivables with loans characteristics

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

i. By risk level and maturity

	30/06/2018						30/06/2017	
		Maturity						
Risk level	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	-	-	34,938	34,938	-	344	-
B	-	-	-	-	-	-	3,104	(31)
C	-	57,071	1,680	2,844	61,595	(1,656)	75,053	(2,252)
E	-	-	-	-	-	-	41,820	(15,255)
F	-	-	-	19,341	19,341	(9,670)	22,161	(11,080)
H	-	-	-	-	-	-	315	(315)
Total	-	57,071	1,680	57,123	115,874	(11,326)	142,797	(28,933)

ii. By activity sector

Sector	30/06/2018	30/06/2017
Industry	96,533	315
Services	19,341	142,482
Total	115,874	142,797

c. Advances in foreign exchange contracts

i. By risk level and maturity

	30/06/2018						30/06/2017	
		Maturity						
Risk level	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	-	-	-	-	-	35,595	-
A	-	21,479	-	-	21,479	(117)	-	-
B	-	187,761	169,161	-	356,922	(4,148)	-	-
C	-	-	54,783	-	54,783	(1,849)	114,070	(3,588)
D	-	-	34,391	-	34,391	(7,106)	18,572	(1,910)
E	-	-	-	-	-	-	16,794	(5,274)
H	-	-	-	-	-	-	20,886	(20,886)
Total	-	209,240	258,335	-	467,575	(13,220)	205,917	(31,658)

ii. By activity sector

Sector	30/06/2018	30/06/2017
Industry	467,575	52,027
Services	-	153,890
Total	467,575	205,917

d. Credit risk concentration

	30/06/2018	%	30/06/2017	%
Largest debtors				
10 largest debtors	8,385,472	53%	6,786,145	53%
20 following largest debtors	2,588,952	16%	1,968,732	16%
50 following largest debtors	2,262,577	14%	1,892,479	15%
100 following largest debtors	1,778,241	11%	1,470,291	12%
200 following largest debtors	789,316	5%	565,083	4%
500 following largest debtors	57,621	0%	2,713	0%
Total	15,862,179	100%	12,685,443	100%

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the semester ended:

	30/06/2018	30/06/2017
Opening balances	(804,637)	(784,574)
Reversal/(recording) of allowance	(70,569)	(171,044)
Renegotiation of credits written off to loss	(81,615)	(369,084)
Exchange rate variation	(6,121)	36,561
Letter of guarantee	(80,124)	-
Allowance for guarantee	(17,686)	-
Credits written off as loss	6,658	49,037
Closing balances	(1,054,094)	(1,239,104)
Breakdown of closing balances		
Allowance for loan losses	(771,937)	(967,525)
Allowance for other receivables	(162,303)	-
Allowance for other receivables (Note 10 (b))	(11,326)	(28,933)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(13,220)	(31,658)
Provision for standby letters of credit (Note 16 c)	(95,308)	(210,988)
	(1,054,094)	(1,239,104)

f. Renegotiation/recovery of credits written off to loss

As at June 30, 2018, the amount of R$1,143,947 were due to credit renegotiation (June 30, 2017 – R$1,365,581). Also in the semester ended June 30, 2018 there were R$5,050 written off loans recovered (June 30, 2017 – R$117,150).

11.Other receivables/obligations

a. Foreign exchange portfolio

	30/06/2018		30/06/2017	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	6,099,775	12,038,869	4,704,640	4,368,469
Rights on foreign exchange sales	11,999,026	-	4,480,721	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	11,799	(455,776)	2,325	(203,592)
(-) Advances in foreign currency received	(2,139)	-	(66,615)	-
(-) Advances in local currency received	(198)	-	(71)	-
Liability for foreign exchange purchase	-	6,099,388	-	4,683,990
Total	18,108,263	17,682,481	9,121,000	8,848,867
Current	18,108,263	17,682,481	9,121,000	8,848,867
Long term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R$506,529 (June 30, 2017 - R$283,049).

b. Securities trading and brokerage

	30/06/2018		30/06/2017	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	637,945	268,903	201,482	200,771
Commissions and brokerage payable	-	384	-	222
Pending settlement	4,211,398	879,222	1,130,575	337,881
Unsettled third-party interbank investments	-	11,983	-	4,410
Creditors for stock loans	-	1,495	-	518
Securities trading and brokerage	457,837	1,655,069	68,473	1,044,916
Total	5,307,180	2,817,056	1,400,530	1,588,718
Current	5,307,180	2,817,056	1,400,530	1,588,718
Long term	-	-	-	-

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

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

12.Other receivables

a. Income receivable

	30/06/2018	30/06/2017
Dividends and profit sharing	132,185	126,946
Receivables from services rendered	17,529	449,848
Rights on energy sales	364,507	-
Management and performance fees from investment funds and portfolios	4,019	3,128
Distribution fees	5,677	3,171
Commissions on guarantees	23,183	25,193
Total	547,100	608,286
Current	547,100	518,883
Long term	-	89,403

b. Sundry

	30/06/2018	30/06/2017
Deferred tax assets - IR/CS (Note 18)	4,760,413	3,948,044
Deferred tax assets - Others	283,548	113,842
Held for sale	-	3,427,828
Sundry - Brazil (i)	4,578,517	2,201,179
Judicial deposits	1,044,314	999,256
Taxes to offset	251,883	285,521
Securities and credits receivable		
With loan characteristics (Note 10(b))	115,874	142,797
Without loan characteristics	256,946	117,928
Advance to suppliers	1,501	780,478
Other	475,974	93,318
Total	11,768,970	12,110,191
Current	5,320,752	6,832,707
Long term	6,448,218	5,277,484

(i) Refers, basically to receivables from sale of investments.

13.Investments in subsidiaries, associates companies and jointly controlled entities

	Subsidiaries, associates and jointly controlled entities					
	Shareholders Equity		Net income (loss)		Equity interest	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
In Brazil						
BTG Pactual Asset Management S.A. DTVM	417,368	347,636	54,679	29,587	99.99%	99.99%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	391,410	347,405	49,624	28,558	99.99%	99.99%
BTG Pactual Serviços Financeiros S.A. DTVM	57,048	50,626	5,842	2,285	99.99%	99.99%
BTG Pactual Holding Participações S.A.	10,418	1,421	124	(1)	99.99%	99.99%
BTG Pactual Holding Internacional S.A. (ii)	9,199,795	8,045,933	855,539	345,199	99.99%	99.99%
BW Properties S.A.	476,561	480,819	(5,227)	(22,640)	42.72%	45.87%
Warehouse 1 Empreendimentos Imobiliários S.A.	34,713	34,903	741	5,145	35.00%	35.00%
BTG Pactual Holding de Seguros Ltda.	727,847	740,556	49,200	23,516	99.99%	99.99%
Pan Corretora S.A.	43,743	74,013	4,171	6,401	51.00%	51.00%
Banco Sistema S.A.	901,968	6,271,708	111,466	419,359	99.91%	99.91%
BTGP Corretora de Seguros S.A.	8,553	16,433	6,432	6,787	99.99%	99.99%
BTG Pactual Corretora de Resseguros Ltda	6,984	5,676	4,982	3,637	99.99%	99.99%
Jointly-controlled entities - In Brazil						
Banco Pan S.A.	3,784,460	3,460,210	60,130	46,463	50.59%	40.35%
Abroad						
BTG Pactual Overseas Corporation	29,312	25,309	(103)	(54)	99.99%	99.99%
BTG Pactual Chile Internacional Ltd.	67,166	56,622	1,457	(4,091)	99.99%	99.99%
Banco BTG Pactual Luxembourg S.A.	365,939	332,708	(15,970)	(203)	99.99%	99.99%
BTG Pactual S.A. Comisionista de Bolsa	-	129,011	-	3,573	99.99%	99.99%
BSI Limited (i)	1,538,322	1,760,124	(63,218)	(47,802)	100.00%	100.00%

(i) Refers to investment vehicle used by the Bank, to invest in EFG.
(ii) The difference between the BTG Pactual Holding Internacional S.A. shareholders's equity and the Bank investments, refers to held for sale transferred.

		Changes in investments							
	31/12/2017	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Changes in accounting practices of associates	Foreign exchange	Fair value adjustments	30/06/2018	Equity pick up in 30/06/2017
Subsidiaries and associates - In Brazil									
BTG Pactual Asset Management S.A. DTVM	364,161	-	-	54,679	(1,473)	-	-	417,367	29,587
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	357,220	-	(15,000)	49,624	(433)	-	-	391,411	28,558
BTG Pactual Serviços Financeiros S.A. DTVM	50,528	-	-	5,842	679	-	-	57,049	2,285
BTG Pactual Holding Participações S.A.	914	8,601	-	124	-	778	-	10,417	(1)
BTG Pactual Holding Internacional S.A.	4,707,838	(10,277)	-	855,538	-	462,731	(308)	6,015,522	345,199
BTG Pactual Comercializadora de Energia Ltda. (i)	-	-	-	-	-	-	-	-	(16,424)
BW Properties S.A.	210,148	-	-	(6,557)	-	-	-	203,591	(18,173)
Goodwill – BW Properties S.A.	2,322	-	-	-	-	-	-	2,322	-
Warehouse 1 Empreendimentos Imobiliários S.A.	12,017	-	-	391	-	-	-	12,408	1,801
TTG Participações Holding	-	-	-	-	-	-	-	-	3,826
BTG Pactual Holding de Seguros Ltda.	773,067	-	(92,976)	49,200	-	-	(1,443)	727,848	23,517
BTGP Corretora de Seguros S.A.	24,120	-	(22,000)	6,432	-	-	-	8,552	6,787
Pan Corretora S.A.	27,787	-	(8,253)	2,774	-	-	-	22,308	3,265
Banco Sistema S.A.	821,084	-	(29,972)	111,387	(1,367)	-	-	901,132	418,971
BTG Pactual Corretora de Resseguros Ltda	12,002	-	(10,000)	4,982	-	-	-	6,984	3,636
Other	19,740	40,173	-	(2,377)	-	-	-	57,536	(817)
	7,382,948	**38,497**	**(178,201)**	**1,132,039**	**(2,594)**	**463,509**	**(1,751)**	**8,834,447**	**832,017**
Jointly-controlled entities - In Brazil									
Banco Pan S.A.	1,341,299	542,698	(19,546)	49,798	-	-	215	1,914,464	18,160
Negative goodwill - Pan S.A.	(111,344)	(161,499)	-	-	-	-	-	(272,843)	-
	1,229,955	**381,199**	**(19,546)**	**49,798**	**-**	**-**	**215**	**1,641,621**	**18,160**
Total	**8,612,903**	**419,696**	**(197,747)**	**1,181,837**	**(2,594)**	**463,509**	**(1,536)**	**10,476,068**	**850,177**
Abroad									
Pactual Overseas Corporation (ii)	25,253	-	-	(103)	-	4,163	-	29,313	(54)
BTG Pactual Chile Internacional Ltd. (ii)	56,233	-	-	1,457	-	9,477	-	67,167	(4,091)
Banco BTG Pactual Luxembourg S.A.	330,339	-	-	(15,970)	-	51,569	-	365,938	(203)
BTG Pactual S.A. Comisionista de Bolsa (ii)	128,310	(148,592)	-	3,928	-	15,368	986	-	3,435
Goodwill - BTG Pactual S.A. Comisionista de Bolsa	-	-	-	-	-	-	-	-	(12,044)
Engelhart CTP Group SA (ii)	(1,796)	-	-	(660)	-	1,341	-	(1,115)	-
BSI Limited (ii)	1,699,525	-	-	(10,682)	(508,682)	203,910	216,518	1,600,589	(47,805)
Goodwill - BSI Limited (ii)	334,460	-	-	(19,911)	-	47,142	-	361,691	(24,214)
Other	9,312	-	-	-	-	-	-	9,312	(622)
	2,581,636	**(148,592)**	**-**	**(41,941)**	**(508,682)**	**332,970**	**217,504**	**2,432,895**	**(85,598)**
Total	**11,194,539**	**271,104**	**(197,747)**	**1,139,896**	**(511,276)**	**796,479**	**215,968**	**12,908,963**	**764,579**

(i) See note 2.
(ii) The diference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.

14.Intangible asset

		Changes in intangible assets			
	31/12/2017	Acquisitions / transfer	Amortization expenses	Exchange variation	30/06/2018
Other intangible assets					
Cost					
Softwares	104,692	1,549	-	1,834	108,075
Leasehold improvements	104,374	814	-	-	105,188
Amortization					
Softwares	(78,867)	-	(5,966)	(1,327)	(86,160)
Leasehold improvements	(62,494)	-	(3,990)	-	(66,484)
Total	67,705	2,363	(9,956)	507	60,619

The intangible asset amortization period is 5 years.

15.Fund raising and loans borrowings

a. Summary

	30/06/2018						30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	21,602,653	13,380,347	7,372,071	81,238	768,997	-	16,138,263
Open market funding	42,676,852	38,690,582	2,921,627	954,243	-	110,400	33,710,067
Funds from securities issued and accepted	11,750,853	502,635	2,808,414	3,986,318	4,392,516	60,970	8,402,097
Loans and borrowings	5,235,677	3,181,313	773,845	1,127,941	-	152,578	3,685,115
Subordinated debts and subordinated debt eligible to equity	9,438,133	-	1,623,089	2,668,133	1,601,318	3,545,593	11,212,409
Total	90,704,168	55,754,877	15,499,046	8,817,873	6,762,831	3,869,541	73,147,951

b. Deposits

	30/06/2018						30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	139,271	139,271	-	-	-	-	88,423
Interbank deposits	606,340	116,862	472,893	16,585	-	-	4,105,997
Time deposits	20,857,042	13,124,214	6,899,178	64,653	768,997	-	11,943,843
Total	21,602,653	13,380,347	7,372,071	81,238	768,997	-	16,138,263

c. Open market funding

Open market funding has collateral on the following securities:

	30/06/2018						30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own portfolio	2,612,166	1,806,845	805,321	-	-	-	4,687,078
Federal government bonds	1,301,794	1,301,794	-	-	-	-	2,469,711
Corporate bonds	203,817	203,817	-	-	-	-	2,132,460
Federal foreign government bonds	1,106,555	301,234	805,321	-	-	-	84,907
Third-party portfolio	29,801,140	29,801,140	-	-	-	-	26,067,248
Federal government bonds	29,352,218	29,352,218	-	-	-	-	26,041,948
Corporate bonds	435,787	435,787	-	-	-	-	25,300
Federal foreign government bonds	13,135	13,135	-	-	-	-	-
Unrestricted portfolio (i)	10,263,546	7,082,597	2,116,306	954,243	-	110,400	2,955,741
Federal government bonds	10,263,546	7,082,597	2,116,306	954,243	-	110,400	2,955,741
Total	42,676,852	38,690,582	2,921,627	954,243	-	110,400	33,710,067

(i) From the unrestricted portfolio, R$9,997,308 (June 30, 2017 – R$1,943,718) refers to short position and R$266,238 (June 30, 2017 – R$1,012,023) to third-party portfolio.

d. Fund from securities issued and accepted

	30/06/2018						30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	7,620,562	496,642	2,707,745	2,141,242	2,274,933	-	6,490,213
Financial bills	5,437,724	131,807	1,449,910	1,612,236	2,243,771	-	5,132,115
Mortgage bonds/letters of credit for agrobusiness	2,046,193	359,358	1,225,991	434,203	26,641	-	1,274,774
Structured transactions	136,645	5,477	31,844	94,803	4,521	-	83,324
Securities – abroad	4,130,291	5,993	100,669	1,845,076	2,117,583	60,970	1,911,884
Medium term notes (i)	3,849,067	-	-	1,731,484	2,117,583	-	1,810,210
Fixed rate notes and others	281,224	5,993	100,669	113,592	-	60,970	101,674
Total	11,750,853	502,635	2,808,414	3,986,318	4,392,516	60,970	8,402,097

As at June 30, 2018, securities in Brazil were basically indexed o interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. (June 30, 2017 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.0% p.a. to 8.0% p.a.).

On June 30, 2018, securities abroad have rates between 3.25% p.a. and 8.0% p.a. (June 30, 2017 – between 1.5% p.a. and 8.0% p.a.).

e. Loans and borrowings

	30/06/2018						30/06/2017
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	2,502,308	1,690,004	115,975	696,329	-	-	1,030,925
Foreign currency	891,430	79,126	115,975	696,329	-	-	101,830
Loans abroad	1,610,878	1,610,878	-	-	-	-	929,095
Borrowings in Brazil – official institution	2,733,369	1,491,309	657,870	431,612	-	152,578	2,654,190
FINAME/BNDES	2,733,369	1,491,309	657,870	431,612	-	152,578	2,654,190
Total	5,235,677	3,181,313	773,845	1,127,941	-	152,578	3,685,115

On June 30, 2018, securities abroad have rates between 0.16% p.a. and 3.25% p.a. (June 30, 2017 – between 1.0% p.a. and 6.4% p.a.).

f. Subordinated debt and debt instrument eligible to equity

	30/06/2018					30/06/2017
Type - original currency	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	4,317,120	5,367,163
Subordinated debt - US$	800,000	28/09/2012	15/09/2022	5.75%	1,561,206	1,467,348
Subordinated debt eligible to equity - US$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	3,559,807	4,377,898
Total					9,438,133	11,212,409

(i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
(i) The Bank will cancel a total amount equivalent to US$300 million in Senior 2020 bonds and US$350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Further, on October 2017, Banco received an authorization from Brazilian Central Bank to repurchase no later than December 1st 2017 up to US$390 million of its perpetual bond - TIER 1 Capital.

16.Other obligations

a. Social and statutory

	30/06/2018	30/06/2017
Dividends and profit sharing payable	-	630,000
Employees' profit sharing	208,790	243,731
Total	208,790	873,731
Current	208,790	873,731
Long-term	-	-

b. Tax and social security

	30/06/2018	30/06/2017
Tax and contributions to be collected	43,025	28,802
Tax and contribution payable (i)	50,373	-
Deferred income tax and social contribution (Note 18)	27,567	60,848
Total	120,965	89,650
Current	93,398	32,917
Long-term	27,567	56,733

(i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the tax amortization of goodwill arising from the acquisition of the then named Banco Pactual S.A. by UBS AG in 2006 (as described in Note 17), the Bank joined the Special Tax Regularization Program ("PERT"), pursuant to Executive Decree 783, of May 31, 2017 and Executive Decree 798, of August 31, 2017.

Pursuant to the terms of the agreements related to the Acquisition and the Private Placement agreement of 2010, the financial costs of said adherence to PERT will be borne by UBS AG and BTG Pactual Holding S.A., respectively, as approved by the Meeting of BTG Pactual's Board of Directors, and there will be no financial impact on the Bank.

c. Sundry

	30/06/2018	30/06/2017
Payable for acquisition of assets and rights (i)	1,109,335	1,148,091
Allowance for accounts payable	74,279	75,167
Payable - subject to loans operations	6,318	6,318
Provision for guarantees (Note 10 (e))	196,240	210,988
Provision for contingent liabilities (Note 17 (c))	1,063,968	999,765
Other creditors - Brazil	88,498	203,513
Other creditors - Abroad	1,359	24,946
Other	82	78
Total	2,540,079	2,668,866
Current	180,848	199,522
Long-term	2,359,231	2,469,344

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

17. Contingent assets and liabilities and legal obligations

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

a. Contingent assets

As at June 30, 2018 and 2017, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

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

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at June 30, 2018 are appropriate to cover probable losses arising therefrom.

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

	30/06/2018				30/06/2017
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the semester	1,009,389	178	35,808	1,045,375	957,626
Recognition	19,648	-	5,493	25,141	46,025
Write-off / reversal	(6,122)	-	(426)	(6,548)	(3,886)
Balance at the end of the semester	1,022,915	178	40,875	1,063,968	999,765
Provision for contingent liabilities (Note 16 (c))				1,063,968	999,765

The natures of the main provisions are presented below.

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

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

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

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

As at June 30, 2018, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$481 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R$21 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- On December 2015, the Bank received tax assessment in the amount of R$1,985 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. In addition, on December 2017, the Bank received other tax assessment in the amount of R$825 million, which refers to 2012, which was considered undue the goodwill originated on the Bank acquisition by UBS, on 2006, the goodwill originated the repurchase byh the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the copa Prince in 2011. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

- On December 2017, the Bank received a tax assessment which it is discussed insufficient recollection of PIS and COFINS and imposes fine isolated, referring to the year of 2012, in the amount of R$178 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

- On December 2017, in the capacity of the Banco Pan S/A sponsor, the Bank received a tax assessment-IRRF infringement allegedly due to the sale of investment in Brazil by a foreigner, referring to the year of 2012, in the amount of R$71 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

- On December 2017, the Bank received a tax assessment that seeks to collect income tax on the supposed capital gains in corporate incorporation , when One Properties was incorporated by BR Properties, in the amount of R$1,027 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

ii. Provision for other contingent liabilities

As at semester ended June 30, 2018 and 2017, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18.Income tax and social contribution

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

	30/06/2018	30/06/2017
Tax base	(684,835)	139,456
Income before taxes and profit sharing	(559,515)	946,674
Statutory profit sharing	(125,673)	(183,442)
Interest on equity	353	(623,776)
Total charge of income tax and social contribution at the current rates	332,053	(62,755)
Permanent (additions) / deductions in taxation calculation	334,520	143,523
Equity pick up in subsidiaries and associates and jointly controlled companies in Brazil	343,451	158,245

	30/06/2018	30/06/2017
Income on foreign investments	(11,216)	(25,309)
Dividends	2,647	14,305
Other Permanent (additions) / deductions	(362)	(3,718)
Temporary (additions) / deductions on the taxation calculation	(463,530)	468,413
Fair value of securities and derivatives	(766,101)	365,344
Allowance for loan losses	(66,044)	(47,670)
Equity on interest	274,039	117,000
Other provisions	94,576	33,739
Effect of increase in social contribuition 5% (current tax)	-	3,626
Offset of tax losses carry forward - Brazil	(203,043)	(546,087)
Tax and social contribution expense	-	6,720
Temporary differences		
Recognition / (reversal) of the quarter / semester	463,531	(465,318)
Recognition / (reversal) on losses in Brazil	203,043	546,087
Recognition / (reversal) on losses on Branches abroad	202,968	292,646
Recovery of income tax of investment abroad	(20,104)	-
Other temporary differences	60,174	(146,878)
(Expenses) / revenues from deferred taxes assets	909,612	226,537
Total revenues / (expenses)	909,612	233,257

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

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

Income tax and social contribution	**31/12/2017**	**Recognition**	**Realization (i)**	**30/06/2018**
Tax loss	711,461	406,011	-	1,117,472
Interest on equity	269,968	32	-	270,000
Allowance for loan losses	595,202	57,430	-	652,632
Marked-to-market valuation of securities and derivatives	1,931,260	510,156	-	2,441,416
Tax contingencies and provision for suspended-payment taxes	183,126	-	-	183,126
Other temporary differences	194,324	-	(98,557)	95,767
Total	3,885,341	973,629	(98,557)	4,760,413

Income tax and social contribution	**31/12/2016**	**Recognition**	**Realization (i)**	**30/06/2017**
Tax loss carryforward	568,726	761,699	-	1,330,425
Interest on equity	400,500	-	(117,000)	283,500
Allowance for loan losses	871,937	56,649	-	928,586
Marked-to-market valuation of securities and derivatives	1,713,846	81,814	(696,036)	1,099,624
Goodwill on the acquisition of investment	182,980	-	-	182,980
Tax contingencies and provision for suspended-payment taxes	153,030	-	(30,436)	122,594
	3,891,019	900,162	(843,472)	3,947,709
Effects on other comprehensive income				
Marked-to-market adjustments on securities and derivatives	335	-	-	335
Total	3,891,354	900,162	(843,472)	3,948,044

(i) On June 30, 2018, the amount of R$6,909 (June 30, 2017 – R$3,488), refers to recovery paid taxes from investments abroad

(ii)
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
2018	1,183,985	281,814	1,465,799
2019	807,283	170,165	977,448
2020	485,733	158,335	644,068
2021	753,078	166,617	919,695
2022 onwards	412,862	340,541	753,403
	3,642,941	1,117,472	4,760,413
Present value	3,026,281	871,610	3,897,891

The Bank has deferred tax obligations in the amount of R$27,567 (June 30, 2017 - R$60,848) according to Note 16(b).

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

19.Shareholders' equity

a. Capital

As at June 30, 2018, fully subscribed and paid in capital consists of 2,681,601,772 shares (June 30, 2017 – 2,730,250,371), of which 1,746,065,322 common shares (June 30, 2017 – 1,762,281,522), 486,180,110 class A preferred shares (June 30, 2017 – 518,612,510), 449,356,340 class B preferred shares (June 30, 2017 – 449,356,339), registered shares.

At Meeting of BTG Pactual's Board of Directors on September 29, 2017, was approved capital increase, in the amount of R$171,567, with issuance of 1 class B preferred shares, both nominative and without par value. The capital increase is under approval.

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 aquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

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

b. Treasury shares

During the semester ended June 30, 2018, the Bank bought own units, in connection with the approved repurchase program, in the amount of R$184,262 (June 30, 2017 - R$215,281), equivalent to 8,805,500 units (June 30, 2017 – 14,940,980 units). On the semester ended June 30, 2018 there were no units cancelled (June 30, 2017 – R$199,560 equivalent to 16,071,680 units). On June 30, 2018, 14,033,100 units (June 30, 2017 – 6,211,800 units) were held in treasury, in the amount of R$277,325 (June 30, 2017 – R$93,063).

c. Special earnings reserve

The purpose of this reserve is to interest on equity, in the amount of R$600,000, declared after year ended on December 31, 2017.

d. Legal reserve

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

e. Statutory reserve

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

f. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

g. Profit distribution

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

As at June 30, 2017 the Bank has accrued R$630,000, relating to interest on equity, equivalent to R$0.23 per share, which generated R$283,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017, and the payment occurred on August 1, 2017.

20.Income from services rendered

	30/06/2018	30/06/2017
Management and performance fee from investment funds and portfolios	44,026	41,288
Technical services	213,564	108,594
Commission on the placement of securities	44,825	42,930
Guarantees granted	127,096	123,988
Other services	7,626	6,468
Total	437,137	323,268

21.Other operating income

	30/06/2018	30/06/2017
Adjustment to inflation of judicial deposits	29,291	78,099
Reversal of allowances	-	20,601
Exchange rate variation	1,127	28,664
Adjustments of receivables from sale	87,489	4,258
Other operating income	2,981	22,288
Total	120,888	153,910

22.Other operating expenses

	30/06/2018	30/06/2017
Guarantees granted allowances	17,686	32,058
Monetary restatement expense	37,109	66,078
Exchange rate variation	861	3,245
Allowance for other receivables without loan characteristics	24,060	-
Tax restatement expense	31,427	38,344
Others	26,341	13,026
Total	137,484	152,751

23.Other administrative expenses

	30/06/2018	30/06/2017
Outsourced services and consulting	179,708	174,873
Telecommunications and data processing	61,837	53,588
Leases and condominiums	24,559	23,747
Expenses of the financial system	25,880	9,357
Advertising and public relations	18,385	10,443
Depreciation/amortization	15,369	17,890
Others	12,015	27,227
Total	337,753	317,125

24.Tax charges

	30/06/2018	30/06/2017
PIS/COFINS	(52,888)	24,893
ISS	14,126	11,072
IOF	5,795	461
Others	2,406	2,170
Total	(30,561)	38,596

25.Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank.

Related-party balances, which are all carried at arms' length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Assets						
Open market investments	-	-	5,465,950	5,370,261	5,465,950	5,370,261
Interbank investments deposits	-	-	298,337	1,100,000	298,337	1,100,000
Securities	-	-	13,129,725	9,903,792	13,129,725	9,903,792
Derivative financial instruments	-	4,951	22,851,092	20,866,029	22,851,092	20,870,980
Loans and Receivables	3,209,546	2,122,959	932,856	1,001,022	4,142,402	3,123,981
Foreign exchange portfolio	-	-	2,232,384	-	2,232,384	-
Income Receivable	-	-	71,277	121,210	71,277	121,210
Securities trading and brokerage	-	-	861,100	2,835	861,100	2,835
Sundry	-	-	3,771,848	3,457,873	3,771,848	3,457,873
Liabilities						
Interbank deposits	-	(44,889)	(428,427)	(3,929,847)	(428,427)	(3,974,736)
Deposits	(311,572)	(106,475)	(5,458,223)	(4,385,209)	(5,769,795)	(4,491,684)
Open market funding	-	-	(1,209,687)	(2,320,755)	(1,209,687)	(2,320,755)
Funds from securities issued and accepted	-	-	(35,185)	(60,912)	(35,185)	(60,912)
Securities issued abroad	-	-	(65,507)	(1,718,974)	(65,507)	(1,718,974)
Derivative financial instruments	-	(471)	(29,161,705)	(24,828,867)	(29,161,705)	(24,829,338)
Foreign exchange portfolio	-	-	(2,230,698)	-	(2,230,698)	-
Securities trading and brokerage	-	-	(312,070)	(15,583)	(312,070)	(15,583)
Sundry	-	-	(68,187)	(47,959)	(68,187)	(47,959)
	Parent company		**Subsidiaries and joint controlled entities**		**Total**	
	30/06/2018	**30/06/2017**	**30/06/2018**	**30/06/2017**	**30/06/2018**	**30/06/2017**
Statements of income						
Financial income	-	12,842	11,158,608	694,754	11,158,608	707,596
Financial expenses	(7,498)	(15,632)	(15,116,297)	(384,200)	(15,123,795)	(399,832)
Other operating income	-	(194,103)	4,391	(209,118)	4,391	(403,221)

(i) Includes natural person.

Total compensation paid in the semester to key management personnel totaling R$26,904 (June 30, 2017 – R$4,820) is considered a short-term benefit.

26.Other information

a. Cash and cash equivalents

	31/12/2017	31/12/2016
Balances as at beginning of semester		
Cash at banks	3,674,112	220,756
Open market investments	17,581,854	11,177,261
Interbank deposits	1,190,324	1,853,888
Total	22,446,290	13,251,905

	30/06/2018	30/06/2017
Balances as at end of semester		
Cash at banks	2,026,561	586,175
Open market investments	23,895,089	23,330,838
Interbank deposits	1,159,603	2,250,772
Total	27,081,253	26,167,785

b. Commitments and responsibilities

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

	30/06/2018	30/06/2017
Co-obligation and risks for guarantees granted	43,222,612	33,944,822
Responsibility for the management of funds and investment portfolio	10,486,057	10,330,898
Securities under custody	236,076,187	201,735,312
Securities trading and brokerage	2,678,438,638	1,600,236,004
Loans contracted to release	3,365,684	1,127,408
Commitments to be released	51,900	22,300

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

"Responsibility for the management of funds and investment portfolio" is recognized by the sum of the equity value of funds and investment portfolios.

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

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

"Loans contracted to release" register amounts related to loan contracts with clients to release.

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