Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

December 31, 2017
with independent auditors' report on the consolidated financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2017

Contents

Independent auditors' report on the consolidated financial statements 1
Consolidated balance sheets 8
Consolidated statements of income 9
Consolidated statements of comprehensive income 10
Statement of changes in shareholders' equity 11
Consolidated statements of cash flows 12
Notes to the cosolidated financial statements 13

A free translation from Portuguese into English of the Independent Auditor's Report on consolidated financial statements prepared in accordance with International Financial Reporting Standards – IFRS, issued by International Accounting Standards Board – IASB.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the consolidated financial statements of Banco BTG Pactual S.A. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. and its subsidiaries as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report. We are independent of the Bank and of its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC), 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

Tax credits recorded in jointly-controlled subsidiary

As at December 31, 2017, the jointly-controlled subsidiary Banco PAN S.A. recorded income tax and social contribution credits totaling R$3.2 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and the business plan, as approved by the management bodies of Banco PAN S.A. Our opinion is not qualified with respect to this matter.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the year then ended December 31, 2017 in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, on which we issued an unqualified audit opinion, containing the same emphasis paragraph described above, dated February 27, 2018.

Restatement

We draw attention to Note 3 (b) to the consolidated financial statements, which details that the consolidated balance sheet as at December 31, 2016 and as at January 1st, 2016 (opening balance) and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2016, presented as comparative information, are being restated to reflect errors correction as described on the aforementioned footnote. Our opinion remains with no qualification, considering that the consolidated financial statement and its related amounts related to the prior period were adjusted retrospectively.

that due to the presentation of the receivables and payables on a net basis of deliverable forward contracts and the error corrections of the cumulative effect of allowance for loan losses, exchange variation from foreign investments ceased or sold, fair value of assets and liabilities of acquired investments (purchase price allocation) and deferred tax effects on GAAP adjustments,

Key audit matters

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

separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated 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 consolidated 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 consolidated financial statements.

Fair value measurement of complex and illiquid financial instruments and derivatives

The Bank and its subsidiaries have complex and illiquid financial instruments and derivatives 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 spreads, 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 and derivatives as one of the key audit matters.

Our audit procedures included, among others, the involvement of specialists in complex and illiquid financial instruments and derivatives 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 consolidated financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnotes 7, 8 and 9 to the consolidated financial statements of the Bank and its subsidiaries.

Allowance for loan losses

The Bank and its subsidiaries have a corporate credit portfolio, for which management uses its judgment in determining the allowance for loan losses in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*. 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 analysis of counterparties, assessment of underlying guarantees, and credit-renegotiation.

Our audit procedures included, among others, the understanding of the process established by management, tests of controls and test 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 was 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 consolidated financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote 12 to the consolidated financial statements of the Bank and its subsidiaries.

Related party transactions

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

Our audit procedures included, among others, the understanding of the Bank and its subsidiaries' 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 and its subsidiaries. Additionally, we audited, on a sample basis, the transactions among related parties and the respective eliminations, when applicable, on the consolidated financial statements of the Bank and its subsidiaries.

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 consolidated financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnote 30 to the consolidated financial statements of the Bank and its subsidiaries.

Information technology (IT) environment

Because of the volume and complexity, the operations of the Bank and its subsidiaries are highly dependent on the proper functioning of the IT structures and 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 consolidated financial statements of the Bank and its subsidiaries.

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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process, and include management, Audit Committee and Board of Directors of the Bank and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 standards and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 and its subsidiaries' 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 and its subsidiaries' 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 consolidated 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 and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

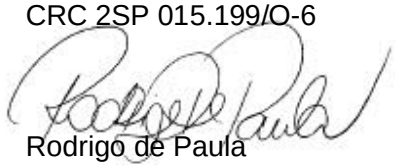
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and that we communicated to them all relationships and other matters that may be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the consolidated 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.

Building a better working world

Rio de Janeiro, December 27, 2018.

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



Rodrigo de Paula
Accountant CRC – 1SP 224.036/O-8

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December 31

(In thousands of reais)

	Note	31/12/2017	31/12/2016 (Restated)	01/01/2016 (Restated)
Assets				
Cash and balances at Central Bank	6	5,820,216	2,637,154	5,054,877
Financial assets at fair value through profit or loss				
Financial assets held for trading	7	18,025,860	18,697,974	11,633,782
Financial assets designated at fair value through profit and loss	7	14,792,494	14,725,208	9,542,553
Derivative financial instruments	7	16,717,934	20,826,619	25,397,857
Loans and receivables				
Open market investments	10	11,776,119	4,201,595	8,010,509
Amounts receivable from banks	11	1,223,674	1,942,576	3,860,804
Other loans and receivables	12	15,060,273	11,710,506	17,128,622
Available-for-sale financial assets	8	579,552	129,932	353,721
Held-to-maturity financial assets	13	4,470,098	4,939,003	5,128,734
Non-current assets held for sale	17	3,427,621	2,276,493	-
Deferred tax assets	22	5,107,554	4,997,491	6,206,498
Discontinued operations - assets	17	-	-	90,082,776
Other assets	15	15,375,243	11,533,548	36,714,629
Investment in associates and jointly controlled entities	16	3,989,524	6,613,314	6,581,991
Property, plant and equipment		82,762	92,688	244,119
Intangible assets	18	1,023,359	1,094,594	1,279,023
Total assets		**117,472,283**	**106,418,695**	**227,220,495**
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	7	7,675,752	6,020,750	6,018,716
Derivative financial instruments	7	16,508,290	18,424,203	23,399,333
Financial liabilities carried at amortized cost				
Open market funding	10	28,364,614	20,760,558	14,262,022
Amounts payable to banks	11	136,840	226,135	1,475,367
Other financial liabilities carried at amortized cost	14	33,496,183	33,008,091	56,379,346
Tax liabilities	19	2,643,608	2,155,013	3,487,906
Discontinued operations - liabilities		-	-	84,360,947
Other liabilities	20	9,769,563	7,873,788	17,473,248
Total liabilities		**98,594,850**	**88,468,538**	**206,856,885**
Shareholders' equity	23			
Capital stock		7,447,305	7,275,738	7,235,738
Treasury stock		(93,063)	(70,834)	(132,394)
Capital Reserve		652,515	652,515	-
Income reserves		6,382,000	5,735,160	6,249,091
Foreign currency translation reserve		4,356,271	4,232,722	6,781,805
Total shareholders' equity of controlling shareholders		18,745,028	17,825,301	20,134,240
Non-controlling interest		132,405	124,856	229,370
Total shareholders' equity		**18,877,433**	**17,950,157**	**20,363,610**
Total liabilities and shareholder's equity		**117,472,283**	**106,418,695**	**227,220,495**

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income
Years ended December 31
(In thousands of reais)

	Note	2017	2016 (Restated)
Interest income	25	4,490,536	4,699,672
Interest expense	25	(5,086,479)	(4,972,016)
Net interest income/(expenses)		(595,943)	(272,344)
Net gains on financial instruments	25	4,001,293	6,120,579
Net exchange variations		379,846	2,105,078
Fees and commissions	26	1,653,659	1,596,398
Share of profit in associates and jointly controlled entities	16	901	644,018
Other operating income / (expenses)	27	788,296	1,589,506
Net revenues		6,228,052	11,783,235
Administrative expenses	28	(2,990,641)	(1,290,221)
Personnel expenses	29	(1,338,528)	(1,960,072)
Provisions for credit losses	12	78,152	(700,189)
Tax charges (other than income tax)		(249,968)	(808,274)
Income before taxes and profit sharing		1,727,067	7,024,479
Income tax and social contribution	22	648,192	(520,548)
Income from discontinued operations	17	-	(1,181,961)
Net income for the year		2,375,259	5,321,970
Net income attributable to controlling shareholders		2,383,120	5,341,694
Loss attributable to non-controlling interests		(7,861)	(19,724)
Earnings per share –basic and diluted – In Reais	24		
Common shares		0.87	2.05
Preferred shares		0.87	2.05

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of comprehensive income
Years ended December 31
(In thousands of reais)

	Note	2017	2016 (Restated)
Net income for the year		2,375,259	5,321,970
Other comprehensive income/(loss) to be reclassified to profit or loss:			
Changes in fair value of assets available for sale - jointly controlled	23	51,949	1,751
Changes in fair value of assets held for sale	23	106,391	(78,444)
Exchange differences on translation of foreign operations and non-monetary items	23	278,794	(2,529,948)
Foreign Investment hedge		(313,585)	-
Changes in pension plan adjustments		-	57,558
Total comprehensive income for the year		2,498,808	2,772,887
Attributable to controlling shareholders		2,506,669	2,792,611
Attributable to non-controlling interests		(7,861)	(19,724)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statement of changes in shareholders' equity

Years ended December 31

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

	Note	Capital	Capital reserve	Income reserves				Other comprehensive income	Treasury shares	Retained earnings	Controlling interests	Non-controlling interests	Total
				Legal	Unrealized	Statutory	Total						
Balances at January 1, 2016 (Restated)		**7,235,738**	**-**	**907,770**	**5,292,808**	**48,513**	**6,249,091**	**6,781,805**	**(132,394)**	-	**20,134,240**	**229,370**	**20,363,610**
Capital increase		40,000	3,960,000	-	(4,000,000)	-	(4,000,000)	-	-	-	-	-	-
Share premium		-	(3,307,485)	-	-	-	-	-	-	-	(3,307,485)	-	(3,307,485)
Own shares acquired		-	-	-	-	-	-	-	(593,285)	-	(593,285)	-	(593,285)
Own shares sold		-	-	-	(654,845)	-	(654,845)	-	654,845	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	23	-	-	-	-	-	-	1,751	-	-	1,751	-	1,751
Changes in fair value of assets held for sale		-	-	-	-	-	-	(78,444)	-	-	(78,444)	-	(78,444)
Exchange differences on translation of foreign operations and non-monetary items	23	-	-	-	-	-	-	(2,529,948)	-	250,923	(2,279,025)	-	(2,279,025)
Changes in pension plan adjustments		-	-	-	-	-	-	57,558	-	-	57,558	-	57,558
Interest on equity (R$0.19 per share)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(500,000)**	**(500,000)**	**-**	**(500,000)**
Net income for the year		-	-	-	-	-	-	-	-	5,341,694	5,341,694	(19,724)	5,321,970
Legal reserve		-	-	170,429	-	3,970,485	4,140,914	-	-	(4,202,617)	(61,703)	-	(61,703)
Interest on equity (R$0.32 per share)	23	-	-	-	-	-	-	-	-	(890,000)	(890,000)	-	(890,000)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	(84,790)	(84,790)
Balances at December 31, 2016 (Restated)		**7,275,738**	**652,515**	**1,078,199**	**637,963**	**4,018,998**	**5,735,160**	**4,232,722**	**(70,834)**	**-**	**17,825,301**	**124,856**	**17,950,157**
Capital increase		171,567	-	-	-	-	-	-	-	-	171,567	-	171,567
Own shares acquired		-	-	-	-	-	-	-	(489,977)	-	(489,977)	-	(489,977)
Own shares sold		-	-	-	-	(467,748)	(467,748)	-	467,748	-	-	-	-
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	15,272	15,272	-	15,272
Changes in fair value of assets available for sale - jointly controlled	23	-	-	-	-	-	-	51,949	-	-	51,949	-	51,949
Changes in fair value of assets available for sale		-	-	-	-	-	-	106,391	-	-	106,391	-	106,391
Exchange differences on translation of foreign operations and non-monetary items	23	-	-	-	-	-	-	278,794	-	-	278,794	-	278,794
Foreign Investment hedge		-	-	-	-	-	-	(313,585)	-	-	(313,585)	-	(313,585)
Intermediate interest on equity (R$0.23 per share)		-	-	-	-	-	-	-	-	(630,000)	(630,000)	-	(630,000)
Adjustments by previous years		-	-	-	-	-	-	-	-	15,403	15,403	-	15,403
Net income for the year		-	-	-	-	-	-	-	-	2,383,120	2,383,120	(7,861)	2,375,259
Legal reserve		-	-	103,308	-	1,011,280	1,114,588	-	-	(1,174,818)	(60,230)	-	(60,230)
Interest on equity (R$0.23 per share)	23	-	-	-	-	-	-	-	-	(608,977)	(608,977)	-	(608,977)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	15,410	15,410
Balances at December 31, 2017		**7,447,305**	**652,515**	**1,181,507**	**637,963**	**4,562,530**	**6,382,000**	**4,356,271**	**(93,063)**	**-**	**18,745,028**	**132,405**	**18,877,433**

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Years ended December 31
(In thousands of reais)

	Note	2017	2016 (Restated)
Operating activities			
Net income for the year		2,375,259	5,321,970
Adjusts to net income		(123,859)	991,129
Equity in the (earnings)/losses of associates	16	(901)	(644,018)
Interest expense from subordinated debt		1,136,022	928,700
Non-controlling interest		7,861	19,724
Deferred tax	22	(1,403,040)	6,282
Realized exchange differences on translation of foreign operations		-	204,044
Realized pension plan from discontinued operations		-	57,559
Permanent assets exchange variation		(18,682)	86,645
Intangible amortization		76,356	322,032
Depreciation and amortization		78,525	10,161
Adjusted net income for the year		2,251,400	6,313,099
Increase/decrease in operational assets and liabilities			
Financial assets held for trading		2,368,389	(8,070,660)
Financial assets designated at fair value through profit and loss		(67,286)	(5,182,655)
Derivative financial instruments - assets		4,108,685	20,466,639
Assets held for sale		(449,620)	223,789
Open market investments		(7,592,245)	2,931,292
Amounts receivable from / (payable to) banks		(89,295)	(1,249,232)
Other loans and receivables		(3,349,767)	5,418,116
Held-to-maturity financial assets		468,905	189,731
Non-current assets held for sale		(1,151,128)	(2,276,493)
Deferred tax assets		(204,080)	-
Other assets		(3,836,699)	26,246,457
Financial liabilities held for trading		1,655,002	2,034
Derivative financial instruments - liabilities		(1,915,913)	(20,870,531)
Open market funding		7,604,056	6,498,536
Tax liabilities		3,515,374	(1,339,175)
Other liabilities		553,059	(10,489,460)
Cash provided by operating activities		3,868,837	18,811,487
Investing activities			
Acquisition / sale of investments	16	792,794	(319,329)
Dividends received	16	323,081	307,689
Acquisition of property and equipment in use		(44,595)	(10,916)
Sale of property and equipment in use		8,038	111,858
Acquisition of intangible assets	18	(38,196)	(211,343)
Discontinued operations from assets and liabilities		-	5,390,002
Cash provided by investing activities		1,041,122	5,267,961
Financing activities			
Other liabilities		(647,930)	(24,294,963)
Acquisition / sale of treasury shares		(489,977)	(593,285)
Capital increase / (decrease)		171,566	(3,307,485)
Non-controlling interest		7,549	(104,514)
Interest on equity distributed	23	(1,504,728)	(992,774)
Cash (used in) by financing activities		(2,463,520)	(29,293,021)
Increase / (decrease) in cash and cash equivalents		2,446,439	(5,213,573)
Balance of cash and cash equivalents	31		
At the beginning of the year		8,781,326	13,994,899
At the end of the year		11,227,765	8,781,326
Increase / (decrease) in cash and cash equivalents		2,446,439	(5,213,573)
Noncash transactions		1,139,247	(888,249)
Interest on equity declared		(608,977)	(890,000)
		-	-
Assets transfer, held for sale		1,696,275	-
Changes in fair value of assets available for sale in jointly controlled entities		51,949	1,751

The accompanying notes are an integral part of the consolidated 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, 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 listing on B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank.

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

Special Committee

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

On April 7, 2016, the Special Committee, assisted by the Legal Counsel, concluded their investigation and released their final report. Based on its investigation, the Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel under investigation engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

New unit programs

On February 14, 2017 the Board of Directors 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 two BDR representing one 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 trading price of PPLA11 units approaching R$1.00 per unit, the Companies analyzed potential structure to meet requirements of the applicable regulation.

The Boards of Directors of the Companies approved, the automatic migration of all currently remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. Each holder of a BBTG11 unit as of the end of the trading session on August 18, 2017, starting from the beginning of the trading session on August 21, 2017, automatically hold one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit previously held by such holder, without any other significant change to such holders.

Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 109,419,830 units have been repurchased in the total amount of R$1,535,450 and 104,192,230 units had been canceled, in the amount of R$1,442,387. On December 31, 2017, 5,227,600 units are held in treasury.

2. Corporate reorganization

Corporate events

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 completion of the transaction is subject to regulatory approvals.

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.

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk from the operational structure of BTG Pactual and to restructure the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners (“Engelhart CTP”), which is operating separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm’s length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. Up to five years after the completion of the separation, Engelhart CTP have the option to acquire its remaining equity interest held by the Bank for its equity value.

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

During the year ended December 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.62% (December 31, 2016 – 6.1%) of its own shares held by the Bank. The total consideration paid was US$251 million (December 31, 2016 - US$150 million) and the price was equivalent to Engelhart CTP's net asset accounting value. On December 31, 2017 the Group has a stake equivalent to 19.44% of Engelhart CTP.

Acquisitions and disposals

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 January, 2018.

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.

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

On 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.

In December, 2016, the bank repurchased Thor Comercializadora de Energia S.A., which had been sold on October 30, 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

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

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

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

3. Presentation of the financial statements

a. Basis for preparation

The Company's consolidated financial statements were prepared and are being presented in accordance with the International Accounting Standard.

b. Restatement

During the year ended December 31, 2017, the Bank adjusted the comparative Consolidated Financial Statements resulting from corrections of errors, as established in IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. These adjustments were applied retrospectively, producing effects in the Balance Sheets, Statements of income, Statement of Comprehensive Income, Statements of Changes in Shareholders' Equity, Statement of Cash Flows and Earnings per Share (Note 24), as follows:

• Adjustment of net bases presentation of Deliverable Forwards contracts

The Bank present on a net basis the receivables and payables of the Deliverable Forwards, held in its Balance Sheet. As result, the Bank is presenting the Balance Sheet for the comparative year ended December 31, 2016 and January 1, 2016, which was adjusted between assets and liabilities, resulting in a reduction of R$5,779,157 and R$15,895,401 respectively.

• Fair value adjustment of investment acquisition

Subsequent to the recognition and during the preparation of the financial statements as of December 31, 2017, the Bank management identified a correction in the fair value of the EFG's interest, measured at the acquisition date. The fair value, was originally calculated based on the market value of EFG shares, was remeasured from the calculation of the net fair value of the identifiable assets and liabilities. As a result of the fair value remeasurement, the Bank adjusted the Balance Sheet (Investment in associates and jointly controlled entities) and net income (Income from discontinued operations), resulting in an increase of R$274,269. Additionally, as a result of the adjustment, the Statement of Cash Flow is being restated and adjusted in the amount of R$274,269 (reduction) in the group of Investment Activities (Acquisition / sale of investments). The measurement was not changed (Fair Value), but rather the methodology for observing and determining the fair value - the market value of the shares for the net fair value of identifiable assets and liabilities. The reassessment of the understanding of accounting practice was determined through the analysis of IAS28 (Investments in Associates and Joint Ventures), comprising the principles of Purchase Price Allocation.

• Provision adjustment of loans and receivables

As a result of a correction in the estimates of loan provision, the Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Statement of Comprehensive Income and Statement of Cash Flow for the year ended 31 December December 2016 are being restated, as below: (i) Balance Sheet: increase in Loans and receivables and Shareholders' Equity in the amount of R$442,741, (ii) Statement of income: increase in Other operating income in the amount of R$261,695 (iii) Statements of changes in stockholders' equity: increase in statutory reserves for the year ended December 31, 2016 and opening balance sheet of 2016 in the amount of R$261,695 and R$181,046, respectively; (iv) Comprehensive Statement of Income: increase in net income, in the amount of R$261,695; and (iv) Statement of cash flow: increase of net income and reduction of Operating Activities in the amount of R $ 261,695.

• Exchange variation adjustment on liquidated and spin-off investments abroad

The Bank has identified effects related to currency translation adjustments of investments abroad, previously classified under Other Comprehensive Income (Shareholders' Equity), which, due to their realization (sale of investments), were recycled and recognized in the statement of income of the year. These adjustments led to a presentation of the statements of income, comprehensive income and shareholders' equity for the year ended December 31, 2016, with a reduction of R$107,560 (Other operating income and equity valuation adjustments), as well as equity in the amount of R$250,923 (Retained earnings and Asset valuation adjustment).

• Pension plan adjustment of invested company

The Bank has identified effects related to pension plan measurement, previously classified in other comprehensive income (Shareholders' equity), which due to investment sale during the year ended December 31, 2016, generated a restatement of Shareholders' equity on retained earnings, with a increase in the amount of R$57,559 (retained earnings and other comprehensive income).

- Deffered tax adjustments of gaap adjustments

The Balance Sheet, the Statement of Income, the Statements of Changes in Shareholders' Equity, the Statement of Comprehensive Income and the Statement of Cash Flows for the year ended December 31, 2016 and the opening balance dated January 1, 2016 are being restated to reflect a correction of inconsistencies in the calculation of deferred income tax on GAAP adjustments, as well as the deferred tax effects arising from the correction of the previously described inconsistencies, as below:

a) January 1, 2016:

Deferred tax assets in the amount of R$63,213, of which R$132,533 refers to the decrease in retained earnings, after statutory reserves aalocation and R$69,320 increase in other comprehensive income. Due to the adjustments, the statement of changes in stockholders' equity decrease in the amount of R$63,213.

b) December 31, 2016:

Increase in deferred tax assets in the amount of R$78,233, of which R$280,085 in statements of income, in the amount of R$132,533 related to the reduction in retained earnings, after statutory reserves allocation (item a) and a decrase of R$69,319 in other comprehensive income. Due to the adjustments, the cash flow statement was impacted by an increase in net income in the amount of R$280,085, and decrease of operating activities in the amount of R$280,085, and the statement of changes in shareholders' equity increased in the amount of R$78,233.

- Mark-to-market adjustment of realized debentures and commodity freights

The Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity and the Statement of Comprehensive Income for the year ended December 31, 2016 are being restated to reflect the write-off of the mark-to-market of debentures for income of its realization, as well as the spin-of in commodity freight balances for the income as a result of the spin-off of the commodity business occurred in September 2016, as follows: (i) Balance Sheet: decrease of profit reserves in Equity, in the amount of R$96,484 (ii) Income statement: increase in net income from financial instruments in the amount of R$70,095 and increase in other operating income in the amount of R$26,389, (iii) Statements of changes in shareholders' equity: decrease in retained earnings, after statutory reserves allocation in the amount of R$96,484, (iv) Statement of Comprehensive Income: increase in the variation adjustment account for the equity valuation of assets held for sale in the amount of R$96,484.

c. Judgments and significant accounting estimates

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

Going concern

Management evaluated the Bank and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

Fair value of the financial instruments

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

Impairment losses regarding loans and receivables

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

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

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

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

Deferred tax assets

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

d. Revised IFRS pronouncements

a) Accounting standards applicable for period ended December 31, 2017

There were no new accounting pronouncements for the period ended December 31, 2017.

b) Accounting standards recently issued and applicable in future periods

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

- IFRS 9 – Financial Instruments – The pronouncement replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 is applicable to all financial assets and liabilities and will be retrospectively adopted on the date the standard becomes effective, on January 1st, 2018. The new rule is structured to contemplate the pillars:

(i) Classification and measurement of financial assets: the classification of financial assets should depend on two criteria: the entity´s business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets;

- Business model: it is determined at a level that reflects how the groups of financial assets are jointly managed to achieve a specific commercial purpose and generate cash flows, not depending of the management's intention regarding an individual instrument. Accordingly, it represents whether cash flows will result from contractual cash flows, sale of financial assets or both; and

- Characteristics of contractual cash flow of financial assets: identification of asset cash flows what constitute only payment of principal and interest, by applying the SPPI (Solely Payment Principal and Interest) test.

(ii) Impairment: The new standard brings the concept of expected loss (including the use of prospective information) and classification in three phases. An asset will migrate from the phase of expected credit loss as the credit risk deteriorates. If, in a subsequent period, the quality of a financial asset improves or the significant increase in the previously identified credit risk is reverse, the financial asset may return to phase 1, unless it is a financial asset originated with credit recovery issues.

- Phase 1 – Credit losses expected for 12 months: represented possible default events within 12 months. Applicable to financial assets without significant increase in credit risk and no credit recovery issues in origination;

- Phase 2 – Permanent credit losses expected over the life of the financial instrument: resulting from all possible default events. Applicable to financial assets with a significant increase in credit risk, but which were not originated with recovery issues.

- Phase 3 – Permanent credit losses expected for assets with credit recovery problems: resulting from all possible default events. Applicable to financial assets considered with credit recovery issues due to the occurrence of one or more events that negatively affect the estimated future cash flows for this asset. Financial assets that are not originated with recovery issues, but that subsequently had recovery issues, differ from phase 2 due to the recognition of interest income by applying the effective interest rate at amortized cost (net of provision) rather than the gross carrying amount.

(iii) Hedge accounting: The hedge accounting requirements are closely aligned with risk management and should be applied on a prospective basis. BTG Pactual will continue applying all requirements for hedge accounting set forth in IAS 39, as permitted by IFRS 9.

BTG Pactual conducted simulations during the second half of 2017 for better understanding of the potential effect of the new accounting standard. The transition to IFRS 9 will cause, according to our estimates, is not relevant reduction in stockholder's equity, net of tax effects.

The transition impacts are based on the best estimates on the reporting date and adjustments identified will be recognized in retained earnings on the transition date, directly affecting the stockholders' equity.

The adoption of the new standard shall not bring regulatory or prudential impacts – including capital – on BTG Pactual, since these limits are calculated based on Prudential Consolidated, which is prepared according to the standards and generally accepted accounting principles in Brazil applicable to institutions authorized to operate by BACEN.

- IFRS 15 – Revenue from Contracts with Customers: The pronouncement replaces IAS 18 – Revenue and IAS 11– Construction Contracts, as well as respective interpretations (IFRICs 13, 15 and 18). It requires that the recognition of revenue reflect the transfer of goods or services to the client. This standard is effective for the years beginning January 1st, 2018 and there are no impacts for the Consolidated Financial Statements of BTG Pactual.

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

- IFRS 17 – Insurance Contracts: The pronouncement replaces IFRS 4 – Insurance Contracts and presents three approaches for assessment of insurance contracts:

- General Model: applicable to all contracts, particularly the long-term contracts;

- Premium Allocation Approach (PAA): applicable to contracts which term is up to 12 months and with modestly complex cash flows. It is simpler than the standard model; however, it can be used only when it produces results similar to those that would be obtained it the standard model was used;

- Variable Fee Approach: approach specific for contracts with participation in the result of investments.

Insurance contracts should be recognized based on the analysis of four components:

- Expected Future Cash Flows: estimate of all components of cash flow of the contract, considering inflows and outflows;

- Risk Adjustment: estimate of offset required by deviations that may occur between cash flows;

- Contractual Margin: difference between any amounts received before the beginning of the contract coverage and present value of cash flows estimated in the beginning of the contract;

- Discount: projected cash flows should be discounted at present value, to reflect the time value of money, at rates that reflect the characteristics of respective flows.

This standard is effective for annual periods beginning on January 1st, 2021. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

- Amendment to IFRS 4 – Insurance Contracts – Joint application of IFRS 9: The amendment enables entities that are issuers of insurance contracts to mitigate possible impacts of the adoption of IFRS 9 – Financial Instruments before the effectiveness of IFRS 17 – Insurance Contracts, through two options:

- Temporary exemption: adoption of IFRS 9 together with IFRS 17, i.e., as from January 2021. This option is applicable only to entities with significant insurance activities (over 80% of total liabilities) and that have not applied IFRS 9 in advance;

- Overlay approach: adoption of IFRS 9, however, for assets reclassified to the category Fair Value through Profit or Loss, transferring the effects of the adoption of IFRS 9 from Income for the Period to Other Comprehensive Income until the effectiveness of IFRS 17.

Liabilities related to insurance contracts are not representative as compared to total liabilities of BTG Pactual.

In 2018, BTG Pactual will adopt IFRS 9 for all financial assets of insurance entities, and, therefore, will not use the aforementioned options.

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

e. Consolidated financial statements

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE). Control exists where the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

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

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

		Equity interest - %	
	Country	2017	2016
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	-	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	77.93	73,93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual TTG Participações S.A.	Brazil	-	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
BTG Pactual Serviços Energéticos Ltda.	Brazil	-	100.00
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	-
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Infra IX Empreendimentos e Participações S.A	Brazil	100.00	100.00

	Country	Equity interest - % 2017	2016
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	-
TTG Forestry Services LLC	USA	100.00	-
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Real Estate Luxembourg Holding S.A.	Luxembourg	100.00	-
BTG Pactual RE Income S.A	Colombia	100.00	-
BTG Pactual Chile Asesorias Financieras	Chile	100.00	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Real Estate Fund Ltd	Cayman	-	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	-	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	-
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	-
BTG PACTUAL RED FIP - MULT. INV.	Brazil	100.00	-

f. Functional currency

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

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

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

g. Seasonality of transactions

Considering the activities that the Bank is envolved in, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Bank does not provide disclosures about seasonality in these notes to the consolidated financial statements for the year ended on December 31, 2017.

4. Significant accounting practices

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

a) Financial instruments

(i) Recognition date

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

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives financial instruments

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

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

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

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

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

- Net Investment Hedge of Foreign Operations - accounted for similarly to cash flow hedge, i.e. the portion of gains or losses on a hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

(iv) Financial assets and liabilities held for trading

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

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

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

• Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

• Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

• The financial instrument has one (or more) embedded derivative(s), which significantly modifies the cash flows that would be required by the agreement.

Financial assets and liabilities at the fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Valuation changes in the fair value and earned or incurred interests are recorded as "Net gains on financial instruments", while dividend revenues are recognized as "Other operating income" when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares, quotas and debt instruments. Shares and quotas classified as available for sale are those not classified as held for trading or designated at the fair value through profit or loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are transferred to the income statement, under the heading "Net gains on financial instruments".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net gains on financial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognized.

(viii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Bank receivables and loans and receivables

Bank receivables and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at the fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, except for reasons of credit deterioration.

After initial measurement, bank receivables and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities carried at amortized cost

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

b) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognized when the right to receive the cash flow of the asset expired or the Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if: (i) there is substantial transfer of all risks and benefits of the asset; or (ii) there is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the bank and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the bank and its subsidiaries have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the bank and its subsidiaries.

(ii) Financial liabilities

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

c) Open Market investments (repurchase and resale agreements)

Amounts sold with repurchase agreements at a future date are not derecognized from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

d) Securities lending and borrowings

Transactions of securities lending and borrowings are generally secured by other bonds or by cash. The transfer of the security to the counterparty is only reflected on the balance sheet if the risks and benefits of title are also transferred. Advanced cash or cash received as guarantee is registered as an asset or liability.

Securities lending transactions are not recognized on the balance sheet, except if they have been sold to third parties and, in this case, the obligation of returning the security is registered as trading financial liability with gains or losses including in the "Net results with financial instruments ".

e) Determining fair value

Financial instruments are measured according to the fair value measurement hierarchy described below:

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

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

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Bank determines a reasonable level for the input. Financial instruments primarily include certain unlisted equity shares mainly derived from our merchant banking activities, debt securities (debentures) from non-public companies and energy derivatives where valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of a financial instrument valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Debt securities (debentures)	Standard models and comparable prices.	Probability of default, loss severity and yield, prepayment and recovery rates.
Energy derivatives	Models based on Decomp and Newwave systems data.	GDP, hydro reservoir levels and rain forecast.

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.
The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

f) Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(ii) Financial assets available-for-sale

In case of any impairment losses related to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income. However, if in a subsequent year occurs an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and loss.

The main evidence of impairment for financial assets are the significant decline in the fair value of any security for a prolonged period, noncompliance with contract terms for delay of principal or interest, deterioration in ability to pay and operational performance, breach of covenants, significant change in the performance of the counterparty, reduced liquidity of the asset due to financial difficulties of the lender.

(ii) Financial assets accounted at amortized cost

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss from impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'.

Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss from impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

g) Financial instruments – Offsetting

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

h) Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefit is transferred to the Bank and that the income may be reliably measured. The criteria of recognition specified as follows must be complied with before the income is recognized:

(i) Interest income and expenses

For all financial instruments measured at amortized cost, financial assets that accrue interest classified as available for sale the interest income or expenses are recorded using the effective interest rate method, which is the rate that discounts the future receipts or payments estimated by the estimated life of the financial instrument, or, when appropriate, a shorter period to the net book value of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are part of the effective rate, but does not include credit losses based on future events. The measurement of the financial asset or liability is adjusted if the bank changes the payment and receipt estimates. The remeasurement adjustment is calculated based on the original interest rate and the adjustment to book value is recorded as "Other operational income (expenses)". However, for reclassified financial assets for which the bank subsequently increases its estimate of future cash receipt, the effect of the increase is recognized as an adjustment in the actual rate from the date of the change in estimate.

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

Once the recorded value of a financial asset or a group of similar financial assets are written-off due to an impairment loss, the interest income continues to be recognized by using the interest rate used to discount the future cash flow used to measure the impairment loss.

(ii) Fee and commission income

The Bank and its subsidiaries recognize fees and commission income due to several types of services that it provides to its clients. Revenue from fees can be segregated into the following categories:

- Revenues with fees and commissions earned from services provided in a given period:

  Fees and commissions realized with provision of services throughout the period are recorded over the same period. These revenues include commission and management fees of assets, custody and other management fees, custody, and administration of investment funds.

  Revenues with fees of loans in which the credit is likely to be used - and other fees related to credit - are deferred (together with any incremental costs) and recognized as an adjustment to the actual interest rate of the loan. When the use of credit from a loan is not probable, revenue of fees of loans is recognized over the period of the loan using the straight-line method.

- Fees from services rendered relating to executed transactions:

  Fees resulting from trading or interest in trading with third parties, such as, for example, share purchase agreement or other bonds or purchase or sale of a business, are recognized at the end of a transaction. Fees or components of rates that are related to specific performance are recognized after meeting specific criteria.

(iii) Net gains with financial instruments

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

i) Cash and cash equivalents

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

j) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and Management has committed to sell such assets.

Assets are reclassified out of non-current assets held for sale due to changes to a plan of sale and when the sale is no longer considered highly probable. As a result of the reclassification, the asset will be adjusted to any depreciation or revaluation measured at the lower of its carrying amounts before the classification as held for sale, or its recoverable amount.

k) Investment property

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

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

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

l) Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities comprise entities over which the Group has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Bank and its subsidiaries' interests in the profit or loss of its associates and jointly controlled entities is recognized in the "Share of profit in associates and jointly controlled entities". Any movements in the equity reserves of these entities are recognized directly in other comprehensive income.

m) Property, plant and equipment

Property, plant and equipment are accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment are written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statements of income when the asset is disposed.

n) Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Shares issued as part of the consideration transferred are measured at fair value at the issuance date. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

The acquired goodwill on a business combination is recognized at cost, representing the excess of business combination cost on the fair value asstes, liabilities and contingents liabilities acquired.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

o) Intangible Assets

Intangible assets are recorded at cost and include acquired assets and computer software. An intangible asset is recognized only when its cost can be reliably measured and it is likely that the future economic benefits expected which are assigned to them shall be carried out.

The amortization expenses of intangible assets with definite useful lives (from 5 to 10 years) are recognized in the income statement in administrative expenses, consistent with the function of the intangible asset. The intangible assets with indefinite useful lives are not amortized but tested annually to identify possible impairment losses, which are recognized in the income statement by the carrying amount of the asset that exceeds its recoverable value.

p) Impairment of nonfinancial assets

Investments in associates and jointly controlled entities and assets that have an indefinite life, such as goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

q) Financial guarantees provided

In the ordinary course of business, the bank and its subsidiaries grant financial guarantees, through letters of credit, guarantees and sureties. Financial guarantees are initially recognized in the financial statements (in 'other liabilities') based on the premium amount and are amortized throughout the agreement term. Subsequent to initial recognition, liabilities are measured at the greater of the amount initially recognized less, when appropriate, the value of accumulated amortization recognized in the income and the best estimate of the costs required to settle any financial obligation created by this guarantee.

r) Contingent assets and liabilities

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

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

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

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

s) Taxes

Allowances for income tax and social contribution are recognized based on accounting profit, adjusted for additions and deductions provided for by tax law. Deferred income tax and social contribution are calculated on the value of temporary differences and tax loss carry forwards, and are recognized when the realization of those amounts are deemed probable. For income tax the rate used is 15% plus a 10% allowance on annual taxable income exceeding R$240 and 20% for social contribution.

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable in the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date.

Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

t) Dividends and interest on shareholders' equity (ISE) of shares

Dividends and interest on shareholders' equity are recognized as a liability and deducted from the net equity when approved by the Bank's shareholders. Dividends on the interim dates are deducted from the net equity when declared and are not subject to further decision of the Bank.

u) Earnings per share

Earnings per share is calculated by dividing net income attributable to common and preferred shareholders by the weighted average of common and preferred shares outstanding in each financial year. The weighted average number of common and preferred shares is calculated based on the periods in which the shares were in circulation.

v) Segment Information

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

w) Discontinued Operations

In accordance with IFRS 5, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

(1) Represents either a separate major line of business or a geographical area of operations;
(2) Is part of a single co-ordinated plan to dispose a separate major line of business of geographical area of operations; or
(3) Is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The result from discontinued operations is stated at a single amount, separated from other revenues and expenses, after income from continuous operations and net of tax.

5. Risk management

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

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

a. Operating limits

	2017	2016
Prudential Reference Shareholders' Equity	18,473,348	17,672,754
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	18,527,813	17,727,219
Tier I	14,773,238	16,216,254
Common Equity	11,752,635	11,924,484
Complementary Equity	3,020,603	4,291,770
Tier II	2,369,416	3,421,161
Reference Shareholders' Equity (PR) - (a)	17,142,654	19,637,415
Required Reference Shareholders' Equity (PRE)	8,787,351	9,571,425
Total exposure risk-weighted - (b)	94,998,390	91,156,431
Credit risk	56,089,429	55,813,608
Operational risk	4,615,858	3,385,968
Market risk	34,293,103	31,956,855
Basel ratio - (a/b*11%)	18.0%	21.6%
Tier I capital	15.5%	17.8%
Tier II capital	2.5%	3.8%
Fixed assets ratio	61.6%	77.1%
Fixed assets to equity capital ratio	8,562,702	9,813,329
Status for fixed assets to equity capital ratio	5,272,947	7,567,019
Amount of margin or insufficient	3,289,755	2,246,310

Limits are calculated using numbers prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil. The Bank issued financial statements on February 27, 2018.

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circulars-Letters 3.310/08 and 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13 and Circular-Letter 3.625/13.

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

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

b. Market risk

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

The VaR presented below was calculated for a one-day period, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses a stress test models as a complement to VaR method for its daily risk activities.

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

In millions of R$	**December 2017**	**December 2016**	**December 2015**
Daily average VaR	120.3	141.3	125.6

c. Credit risk

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

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

	2017				
	Brazil	**United States**	**Europe**	**Others**	**Total**
Asset					
Cash and balances at Central Bank	1,482,072	385,698	3,515,878	436,568	5,820,216
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	9,070,223	5,220,251	726,270	3,009,116	18,025,860
Financial assets designated at fair value through profit and loss	14,792,494	-	-	-	14,792,494
Derivative financial instruments	15,787,484	630,806	202,466	97,178	16,717,934
Loans and Receivables					
Open market investments	10,729,991	372,033	122,894	551,201	11,776,119
Amounts receivable from banks	458,948	726,150	-	38,576	1,223,674
Other loans and receivables	12,466,639	1,666,484	19,196	907,954	15,060,273
Available-for-sale financial assets	212,048	176,978	-	190,526	579,552
Held-to-maturity financial assets	4,470,098	-	-	-	4,470,098
Non-current assets held for sale	-	-	-	3,427,621	3,427,621
Total	**69,469,997**	**9,178,400**	**4,586,704**	**8,658,740**	**91,893,841**

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

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

	2017									
	Governments	**Financial institutions**	**Services**	**Investment funds**	**Individuals**	**Industry**	**Energy**	**Rural**	**Other (i)**	**Total**
Asset										
Cash and balances at Central Bank	4,859,482	960,734	-	-	-	-	-	-	-	5,820,216
Financial assets at fair value through profit or loss										
Financial Assets held for trading	9,799,374	1,070,632	132,884	3,686,228	-	-	2,405,050	-	931,692	18,025,860
Financial assets designated at fair value through profit and loss	14,792,494	-	-	-	-	-	-	-	-	14,792,494
Derivative financial instruments	-	14,717,887	-	-	250	-	-	-	1,999,797	16,717,934
Loans and Receivables										
Open market investments	-	856,349	-	10,412,230	-	-	-	-	507,540	11,776,119
Other loans and receivables	-	228,602	5,481,347	1,623,129	1,088,638	4,094,127	156,712	362,880	2,024,838	15,060,273
Amounts receivable from banks	-	1,223,674	-	-	-	-	-	-	-	1,223,674
Available-for-sale financial assets	-	190,527	-	212,047	-	-	-	-	176,978	579,552
Held-to-maturity financial assets	-	4,470,098	-	-	-	-	-	-	-	4,470,098
Non-current assets held for sale	-	-	-	-	-	3,427,621	-	-	-	3,427,621
Total	**29,451,350**	**23,718,503**	**5,614,231**	**15,933,634**	**1,088,888**	**7,521,748**	**2,561,762**	**362,880**	**5,640,845**	**91,893,841**

	2016									
	Governments	**Financial institutions**	**Services**	**Investment funds**	**Individuals**	**Industry**	**Energy**	**Rural**	**Other (i)**	**Total**
Asset										
Cash and balances at Central Bank	1,940,166	696,988	-	-	-	-	-	-	-	2,637,154
Financial assets at fair value through profit or loss										
Financial Assets held for trading	9,147,660	1,108,296	106,598	2,747,250	-	1,201,230	1,240,331	116	3,146,493	18,697,974
Financial assets designated at fair value through profit and loss	14,725,208	-	-	-	-	-	-	-	-	14,725,208
Derivative financial instruments	-	18,099,892	-	-	5,503	8,318	831,889	4,114	1,876,903	20,826,619
Loans and Receivables										
Open market investments	-	2,510,447	-	1,609,001	-	-	-	-	82,147	4,201,595
Other loans and receivables	-	547,224	6,942,785	594,683	798,335	339,246	377,868	147,271	1,963,094	11,710,506
Amounts receivable from banks	-	1,942,576	-	-	-	-	-	-	-	1,942,576
Financial assets available for sale	-	-	-	129,932	-	-	-	-	-	129,932
Held-to-maturity financial assets	-	4,939,003	-	-	-	-	-	-	-	4,939,003
Non-current assets held for sale	-	-	494,808	-	-	1,781,685	-	-	-	2,276,493
Total	**25,813,034**	**29,844,426**	**7,544,191**	**5,080,866**	**803,838**	**3,330,479**	**2,450,088**	**151,501**	**7,068,637**	**82,087,060**

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

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

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

d. Liquidity analysis of assets

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

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the year ended on December 31:

	2017		
	Under 12 months	**Over 12 months**	**Total**
Asset			
Cash and balances at Central Bank	5,820,216	-	5,820,216
Financial assets at fair value through profit or loss			
Financial Assets held for trading	18,025,860	-	18,025,860
Financial assets designated at fair value through profit and loss	14,792,494	-	14,792,494
Derivative financial instruments	14,876,501	1,841,433	16,717,934
Loans and Receivables			
Open market investments	11,180,611	595,508	11,776,119
Other loans and receivables	6,891,848	8,168,425	15,060,273
Amounts receivable from banks	1,223,674	-	1,223,674
Financial assets available for sale	203,667	375,885	579,552
Held-to-maturity financial assets	215,031	4,255,067	4,470,098
Held-to-maturity financial assets	3,427,621	-	3,427,621
Deferred tax assets	-	5,107,554	5,107,554
Other assets	970,600	14,404,643	15,375,243
Investment in associates and jointly controlled entities	-	3,989,524	3,989,524
Property, plant and equipment	-	82,762	82,762
Intangible assets	-	1,023,359	1,023,359
Total Assets	**77,628,123**	**39,844,160**	**117,472,283**

	2016		
	Under 12 months	**Over 12 months**	**Total**
Asset			
Cash and balances at Central Bank	2,637,154	-	2,637,154
Financial assets at fair value through profit or loss			
Financial Assets held for trading	18,697,974	-	18,697,974
Financial assets designated at fair value through profit and loss	14,608,512	116,696	14,725,208
Derivative financial instruments	19,813,655	1,012,964	20,826,619
Loans and Receivables			
Open market investments	4,201,547	48	4,201,595
Other loans and receivables	4,833,163	6,877,343	11,710,506
Amounts receivable from banks	1,942,576	-	1,942,576
Financial assets available for sale	-	129,932	129,932
Held-to-maturity financial assets	778,490	4,160,513	4,939,003
Deferred tax assets	2,276,493	-	2,276,493
Other assets	-	4,997,491	4,997,491
Investment in associates and jointly controlled entities	5,636,598	5,896,950	11,533,548
Property, plant and equipment	-	6,613,314	6,613,314
Intangible assets	-	92,688	92,688
	-	1,094,594	1,094,594
Total Assets	**75,426,162**	**30,992,533**	**106,418,695**

e. Liquidity risk

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

	2017		
	Under 12 months	**Over 12 months**	**Total**
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	7,675,752	-	7,675,752
Derivative financial instruments	14,747,629	1,760,661	16,508,290
Financial Liabilities carried at amortized cost			
Amounts payable to banks	111,108	25,732	136,840
Open market funding	18,698,738	9,665,876	28,364,614
Other financial liabilities carried at amortized cost	13,536,044	19,960,139	33,496,183
Tax liabilities	2,552,040	91,568	2,643,608
Other liabilities	3,855,100	5,914,463	9,769,563
Total liabilities	**61,176,411**	**37,418,439**	**98,594,850**

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

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

	2017		
	Under 12 months	**Over 12 months**	**Total**
Financial liabilities carried at amortized cost			
Amounts payable to banks	114,099	29,214	143,313
Open market funding	18,745,289	10,642,542	29,387,831
Other financial liabilities carried at amortized cost	13,762,602	20,686,726	34,449,328

	2016		
	Under 12 months	**Over 12 months**	**Total**
Financial liabilities carried at amortized cost			
Amounts payable to banks	171,806	54,329	226,135
Open market funding	20,714,190	-	20,714,190
Other financial liabilities carried at amortized cost	19,622,845	48,522,465	68,145,310

f. Operating risk

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

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

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

6. Cash and balance at Central Bank

The composition of this account is presented below:

	2017	2016
Cash at banks	4,347,209	674,192
Balance at Central Bank	1,473,007	1,962,962
Total	**5,820,216**	**2,637,154**

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

a. Financial assets held for trading

	2017		2016	
	Cost	Market	Cost	Market
Own portfolio	13,784,033	11,653,241	12,518,302	13,121,147
Federal government bonds	1,081,671	1,081,671	5,272,131	5,273,562
Brazilian foreign debt securities	-	-	9,031	9,031
Eurobonds (i)	-	-	8,803	8,803
Bank certificates of deposit	-	-	108	108
Investment fund quotes				
Shares	-	-	120,085	130,060
Multimarket	4,755,214	5,030,807	1,831,314	1,935,931
FIDC - Credit Rights	44,021	49,913	5,892	5,892
Real Estate	57,107	57,107	4,563	4,563
Equity Investment fund	404,068	398,113	697,547	717,826
Shares	4,048,240	2,097,043	999,232	2,118,770
Other	-	26,182	14,534	14,476
Foreign government bonds	1,305,157	944,887	466,758	475,606
Foreign private securities	2,088,555	1,967,518	3,088,304	2,426,519
Unrestricted portfolio	286,514	144,227	184,286	185,449
Federal government bonds	286,514	144,227	184,286	185,449
Subject to repurchase agreements	6,221,177	4,364,327	2,949,169	3,038,362
Federal government bonds	4,818,393	2,946,186	2,385,399	2,385,787
Foreign government bonds	1,242,376	1,255,784	93,069	181,874
Other	-	-	10,076	10,076
Foreign private securities				
Corporate bonds	160,408	162,357	460,625	460,625
Subject to guarantees	2,287,164	1,864,065	2,403,725	2,353,016
Federal government bonds	1,122,046	699,182	1,603,156	1,604,497
Bank credit certificate	54,578	54,578	-	-
Investment fund quotes				
Multimarket	309,088	309,088	244,978	244,978
Bank certificates of deposit	-	-	64,887	64,886
Other	-	-	2,033	2,033
Shares	765,267	765,032	474,962	422,913
Foreign government bonds				
Other	36,185	36,185	13,709	13,709

2017		2016	
Cost	Market	Cost	Market
22,578,888	18,025,860	18,055,482	18,697,974

(i) Substantially securities issued by Brazilian companies.

b. Financial liabilities held for trading

	2017	2016
Short position in securities	7,105,646	4,744,283
Loan of securities		
Shares	570,106	1,276,467
	7,675,752	**6,020,750**

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

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

The amortized cost of such transactions is represented by the amount of R$14,863,549 and R$14,838,077, as at December 31, 2017 and 2016, respectively.

d. Derivatives financial instruments

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

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

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

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

The composition of this account is presented below:

	2017		2016	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	101,356	101,355	-	-
Short position	(83,526)	(83,527)	-	-
Swaps				
Long position	707,558	1,204,189	664,797	942,947
Short position	(782,987)	(1,437,598)	(1,002,794)	(1,229,630)
Credit derivatives				
Long position	71,843	142,712	16,244	16,244
Short position	(23,158)	(46,316)	(1,065)	(1,065)
Non-deliverable forward - NDF				
Long position	3,310,193	1,901,085	3,499,295	3,498,253
Short position	(2,012,234)	(2,252,027)	(1,974,051)	(1,975,585)
Deliverable forward - DF				
Long position	3,850	3,847	120,663	36,219
Short position	(47,129)	(75,561)	(90,274)	(90,274)
Security forwards				
Long position	518,622	521,056	209,890	209,875
Short position	(518,518)	(518,537)	(209,963)	(216,556)
Options market				
Long position	1,314,815	835,982	1,415,271	1,427,627
Short position	(152,275)	(26,932)	(449,653)	(352,611)
Exchange portfolio				
Long position	12,007,708	12,007,708	14,695,454	14,695,454
Short position	(12,067,792)	(12,067,792)	(14,558,482)	(14,558,482)
Long position	**18,035,945**	**16,717,934**	**20,621,614**	**20,826,619**
Short position	**(15,687,619)**	**(16,508,290)**	**(18,286,282)**	**(18,424,203)**

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

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

	2017		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	12,256,669	(313,585)	6,164,992

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

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

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

	2017	2016
	Total	Total
Futures market		
Long position	124,495	81,712,301
Currency	-	6,766,707
Interest rate	-	74,840,749
Equities	-	22
Other	124,495	104,823
Short position	92,275	18,262,714
Currency	-	70
Interest rate	-	18,070,715
Commodities	-	7,549
Equities	-	22
Other	92,275	184,358
Swap		
Long position	137,596,593	63,801,633
Currency	4,581,902	2,116,247
Interest rate	121,745,570	61,192,473
Index	6,776,035	-
Equities	520,566	246,295
Commodities	20,831	63,156
Federal government bonds	-	744
Other	3,951,689	182,718
Short position	137,596,593	63,801,633
Currency	4,581,903	10,766,256
Interest rate	124,956,799	46,826,281
Index	6,805,004	4,078,690
Equities	479,478	1,499
Federal government bonds	-	744
Other	773,409	2,128,163
Credit Derivatives		
Long position	138,274	543,618
Sovereign	-	505,161
Corporate	138,274	38,457
Short position	-	93,048
Sovereign	-	11,570
Corporate	-	81,478
Non-deliverable forward - NDF		

	2017	2016
	Total	Total
Long position	70,920,709	41,500,091
Currency	41,513,210	20,355,769
Commodities	27,434,820	21,028,246
Federal government bonds	1,972,679	-
Interest rate	-	116,076
Short position	70,920,709	41,500,091
Currency	41,513,210	16,402,183
Commodities	27,434,820	21,028,246
Interest rate	1,972,679	4,069,662
Deliverable forward - DF		
Long position	9,968,321	6,142,079
Currency	9,968,321	6,142,079
Short position	9,968,321	6,142,079
Currency	9,968,321	6,142,079
Security forwards		
Long position	1,037,415	210,070
Government bonds	321,412	210,070
Interest rate	716,003	-
Short position	1,037,415	210,070
Interest rate	321,412	210,070
Government bonds	716,003	-
Options market		
Call option	11,754,348	14,294,032
Equities	354,955	411,248
Index	621,380	-
Currency	8,041,827	7,849,901
Corporate	2,492	-
Interest rate	2,733,694	5,957,476
Other	-	75,407
Put option	38,513,893	24,313,372
Equities	274,612	878,183
Index	493,041	3,818
Corporate	224,922	-
Currency	9,927,326	7,984,634
Interest rate	27,593,992	15,112,500
Other	-	334,237
Call option	7,903,951	9,989,808
Equities	147,153	255,232
Index	1,746,045	-
Currency	6,010,753	9,570,051
Others	-	164,525
Put option	31,390,297	22,975,619
Equities	336,537	201,889
Index	82,645	4,257
Currency	5,912,423	7,072,728
Interest rate	25,058,692	15,106,000
Others	-	590,745
Exchange Portfolio		
Long position	12,007,708	11,726,861
Currency	12,007,708	11,726,861
Short position	12,067,792	11,617,558
Currency	12,067,792	11,617,558

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and sovereign bonds totaling R$1,849,183 (December 31, 2016 – R$4,028,663) and shares in the amount of R$765,032 (December 31, 2016 – R$422,913).

e. Reclassification of securities

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

8. Available-for-sale financial assets

	2017		2016	
	Cost	Market	Cost	Market
Investment fund quotes				
Equity Investment fund	168,585	168,585	129,932	129,932
Multimarket	43,462	43,462	-	-
Foreign government bonds	305,736	152,868	-	-
Foreign private securities	224,953	214,637	-	-
	742,736	579,552	129,932	129,932

9. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps – cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the B3 S.A., the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).

- Futures and forwards – Prices obtained in exchanges or using the same criteria as described above for swaps.

- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).

- Financial instruments held for trading – the fair values of bonds are calculated based on prices published by ANBIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.

- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

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

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Financial Assets held for trading	15,490,177	2,490,074	45,609	18,025,860
Financial assets designated at fair value through profit and loss	-	14,792,494	-	14,792,494
Available-for-sale financial assets	43,462	367,505	168,585	579,552
Derivative financial instruments	799,456	13,678,324	2,240,154	16,717,934
Liability				
Financial liabilities held for trading	7,675,752	-	-	7,675,752
Derivative financial instruments	1,162,392	13,826,770	1,519,128	16,508,290

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Financial Assets held for trading	16,433,060	1,266,666	998,248	18,697,974
Financial assets designated at fair value through profit and loss	-	14,725,208	-	14,725,208
Available-for-sale financial assets	-	-	129,932	129,932
Derivative financial instruments	995,935	17,039,979	2,790,705	20,826,619
Liability				
Financial liabilities held for trading	6,020,750	-	-	6,020,750
Derivative financial instruments	1,297,296	15,431,472	1,695,435	18,424,203

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

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

	Derivative financial instruments	Financial assets held for trading	Financial assets available for sale	Total
At December 31, 2015	765,249	155,329	74,058	994,636
Acquisition / sales	178,705	842,360	-	1,021,065
Gain/losses	151,316	559	55,874	207,749
At December 31, 2016	1,095,270	998,248	129,932	2,223,450
Acquisition / sales	(316,885)	(641,151)	27,456	(930,580)
Gain/losses	(57,359)	(311,488)	11,197	(357,650)
At December 31, 2017	721,026	45,609	168,585	935,220

- **Derivatives**

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

- **Financial assets held for trading**

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

- **Financial assets available for sale**

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

10.Open market investments and funding

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

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Own funds	1,987,457	9,308,876	1,615,683	7,792,687
Third-party funds	9,407,978	19,055,738	2,585,912	12,967,871
Short position	380,684	-	-	-
	11,776,119	28,364,614	4,201,595	20,760,558

The collateral received in repurchase agreements above and on financial assets designated at fair value through profit and loss (Note 7c) amounts to R$34,410,680 (December 31, 2016 - R$4,325,498), whereas the collateral granted amounts to R$33,951,141 (December 31, 2016 - R$20,760,581).

11.Amounts receivable from/payable to banks

The composition of this account is presented below:

	2017		2016	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	497,524	136,840	530,326	226,135
Investments in foreign currency – Overnight	726,150	-	1,412,250	-
	1,223,674	136,840	1,942,576	226,135

12.Other loans and receivables

a. Composition

The composition of this account is presented below:

	2017		
	Balance	Allowance	Total
Loans	9,873,368	(619,973)	9,253,395
Debentures	1,349,788	(200,947)	1,148,841
Certificate of real estate receivables	346,107	-	346,107
Financing	913,181	(100,029)	813,152
FINAME/BNDES	2,817,560	(13,915)	2,803,645
Foreign currency advances	293,989	-	293,989
Fund for Compensation of Salary Variations (FCVS)	232,135	-	232,135
Securities and credits receivable (i)	180,831	(11,822)	169,009
	16,006,959	(946,686)	15,060,273

	2016		
	Balance	Allowance	Total
Loans	6,455,431	(500,124)	5,955,307
Debentures	1,944,477	(442,741)	1,501,736
Promissory notes	30,546	-	30,546
Certificate of real estate receivables	372,761	-	372,761
Financing	874,382	(132,457)	741,925
FINAME/BNDES	2,643,857	(13,018)	2,630,839
Foreign currency advances	215,508	-	215,508
Fund for Compensation of Salary Variations (FCVS)	155,660	-	155,660
Securities and credits receivable (i)	106,224	-	106,224
	12,798,846	(1,088,340)	11,710,506

(i) Refers to the acquisition of credit rights.

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

b. Allowance

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

	2017	2016
Opening balances	(1,088,340)	(1,969,139)
Reversal/(recording) of allowance	78,152	(700,189)
Renegotiation of credits written off to loss	(401,706)	-
Exchange rate variation	282,313	399,443
Allowance from acquired / sale entity	-	402,913
Credits written off as loss	182,895	778,632
Closing balances	(946,686)	(1,088,340)

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

c. Renegotiation/recovery of credits written off as loss

As at the year ended December 31, 2017, the amount of R$1,722,196 were due to credit renegotiation (December 31, 2016 – R$1,230,379). Also in the year ended December 31, 2017 there were R$145,835 corespondent to recovery of credits written off loss (December 31, 2016 – R$50,605).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	2017	2016
Low	11,704,142	6,777,706
Medium	3,367,633	3,613,736
High	935,184	2,407,404
Total	16,006,959	12,798,846

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

13.Held-to-maturity financial assets

	2017	2016
Subject to repurchase		
Federal government bonds	3,634,297	2,575,247
Subject to guarantees		
Federal government bonds	835,801	2,363,756
	4,470,098	4,939,003

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a positive adjustment of R$198,515 (December 31, 2016 – negative R$36,279).

14.Other financial liabilities carried at amortized cost

a. Summary

	2017	2016
Deposits	9,041,473	7,464,635
Funds from securities issued and accepted	10,289,546	10,335,748
Loans and onlending	4,804,618	3,619,516
Subordinated debts	9,360,546	11,588,192
	33,496,183	33,008,091

b. Deposits

	2017	2016
Demand deposits	441,320	129,020
Time deposits	8,600,153	7,335,615
	9,041,473	7,464,635

On December 4, 2015 a Memorandum of Understanding with the FGC was executed to extend a credit line up to the amount of R$6,0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. On October 19, 2016, the financial assistance line obtained from Fundo Garantidor de Créditos – FGC, had its outstanding amount fully paid.

c. Funds from securities issued and accepted

	2017	2016
Securities – Brazil	6,423,836	7,841,677
Financial bills	4,772,064	6,865,263
Mortgage bonds/letters of credit for agribusiness	1,575,503	964,695
Certificates of structured transactions	76,269	11,719
Securities – abroad	3,865,710	2,494,071
Medium term notes	3,682,691	2,351,264
Fixed rate notes	183,019	142,807
	10,289,546	10,335,748

As at December 31, 2017, securities in Brazil were basically indexed o interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a. (December 31, 2016 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a.).

On December 31, 2017, securities abroad have rates between 3.17% p.a. and 8.0% p.a. (December 31, 2016 – between 1.45% p.a. and 8% p.a.).

d. Loans and onlending

	2017	2016
Loans abroad	1,994,811	843,172
Foreign currency	147,097	63,552
Loans abroad	1,847,714	779,620
Loans - Brazil	75,391	163,771
Loans	75,391	163,771
Onlending in Brazil – official institution	2,734,416	2,612,573
FINAME/BNDES	2,734,416	2,612,573
	4,804,618	3,619,516

On December 31, 2017, securities abroad have rates between 0.16% p.a. and 8.54% p.a. (December 31, 2016 – between 0.25 p.a. and 6.4% p.a.).

e. Subordinated debt

	2017					2016
Nome do papel - moeda	Valor Principal (moeda original)	Emissão	Vencimento	Remuneração a.a.	Saldo contábil	Saldo contábil
Letras financeiras - R$ (i)	4,161,000	15/04/2011	15/04/2021	Inflação + taxa pré	4,808,485	5,842,192
Notas subordinadas - US$	800,000	28/09/2012	15/09/2022	5.75%	1,508,752	1,440,798
Notas subordinadas elegíveis a capital - US$ (ii) (iii)	1,300,000	12/09/2014	Perpétuo (opção de liquidação em 2019)	8.75%	3,043,309	4,305,202
Total					9,360,546	11,588,192

(i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
(ii) During the year ended December 31, 2017, gains in the amount of R$374 (December 31, 2016 – R$43,619) were was recognized by the Bank, as a result of notes acquired below bar.
(iii) The Bank 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.

15.Other assets

The composition of this account is presented below:

	2017	2016
Court deposits	1,497,424	1,739,441
Taxes recoverable to offset	2,875,359	711,826
Pending settlement (i)	3,023,323	1,875,932
Investment properties	554,525	780,447
Sundry debtors – local	3,034,267	3,315,871
Services provided receivable	89,614	536,294
Rights on energy sales	1,925,051	-
Management fee and performance fees receivable for funds and investment portfolios	412,319	290,405
Cash from records and settlement	372,741	868,149
Dividends and bonifications	51,974	17,493
Prepaid expenses	48,750	82,187
Securities trading and brokerage	202,174	38,105
Advance to suppliers	108,237	514,152
Miscellaneous	1,179,485	763,246
	15,375,243	11,533,548

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

16.Investments in associates and jointly-controlled entities

	Associates and jointly-controlled entities					
	Shareholders Equity		Income		Interest	
	2017	2016	2017	42551	2017	2016
In Brazil						
Banco Pan S.A.	3,555,824	3,412,162	212,606	(237,238)	40.35%	40.35%
Warehouse 1 Empreendimentos Imobs S.A.	34,337	29,758	4,583	673	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	1,592	2,679	(87)	4,879	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	7,014	5,705	1,308	(452)	0.00%	44.74%
Pan Seguros S.A.	616,112	650,611	52,685	4,542	51.00%	51.00%
Pan Corretora S.A.	54,486	67,612	10,899	10,387	51.00%	51.00%
Abroad						
BTG Pactual Holding S.A.R.L.	-	4,373,293	-	467,898	0.00%	80.00%
Maybroke Holding S.A.	-	984,727	-	(10,471)	0.00%	50.00%
Engelhart CTP Group S.A.	2,260,025	4,565,815	(746,827)	(154,929)	19.44%	30.06%
EFG International (i)	7,146,953	6,411,200	71,107	-	30.00%	30.00%

(i) On December 31, 2017, the equity on EFG include total return swap in the amount of CHF46,686.

		Changes in relevant investments					
	2016	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries from 2016	Fair value adjustments	2017
In Brazil							
Banco Pan S.A.	1,314,446	-	(28,166)	-	95,972	935	1,383,187
Warehouse 1 Empreendimentos Imobs S.A.	10,414	-	-	-	1,603	-	12,017
Max Casa XIX Empreendimentos Imobs S.A.	1,340	-	(500)	-	(43)	-	797
ACS Omicron Empreendimentos Imobs S.A.	2,553	(7)	(3,132)	-	586	-	-
Pan Corretora S.A.	34,482	-	(12,253)	-	5,558	-	27,787
Pan Seguros S.A.	331,809	-	(44,572)	-	26,476	502	314,215
Other	7,820	-	-	-	844	-	8,664
Abroad							
BTG Pactual Holding S.A.R.L.	1,749,318	(1,696,275)	(164,554)	32,518	78,993	-	-
Engelhart CTP Group S.A.	1,372,257	(805,744)	-	(10,135)	(116,406)	-	439,972
EFG International	1,788,875	12,957	(69,904)	112,214	(92,682)	51,425	1,802,885
	6,613,314	(2,489,069)	(323,081)	134,597	901	52,862	3,989,524

		Changes in relevant investments					
	2015	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries - 2015	Fair value adjustments	2016
In Brazil							
Banco Pan S.A.	1,371,176	-	-	-	(58,990)	2,260	1,314,446
Warehouse 1 Empreendimentos Imobs S.A.	14,340	-	(700)	-	(3,226)	-	10,414
Max Casa XIX Empreendimentos Imobs S.A.	11,924	(7,740)	(1,889)	-	(955)	-	1,340
ACS Omicron Empreendimentos Imobs S.A.	4,306	-	-	-	(1,753)	-	2,553
Vivere Soluções e Serviços S.A.	-	(5,022)	-	-	5,022	-	-
Pan Corretora S.A.	30,580	-	-	-	3,902	-	34,482
Pan Seguros S.A.	347,772	-	(16,009)	-	51	(5)	331,809
Other	-	7,820	-	-	-	-	7,820
Abroad							
BTG Pactual Holding S.A.R.L.	4,205,704	(1,810,547)	(126,186)	(797,436)	277,783	-	1,749,318
Maybroke Holding S.A.	596,189	(494,904)	-	(99,436)	(1,849)	-	-
Engelhart CTP Group S.A.	-	1,548,417	(162,905)	-	(13,255)	-	1,372,257
EFG International	-	1,355,574	-	(3,987)	437,288	-	1,788,875
	6,581,991	593,598	(307,689)	(900,859)	644,018	2,255	6,613,314

(i) On February 27, 2018, EFG released its financial statements, which are impacted by certain adjustments related to the early adoption of IFRS 9 (Financial Instruments), in addition to updates related to its life insurance portfolio. As at December 31, 2017, BTG Pactual's investment in EFG is not impacted by the aforementioned adjustments, which will be recorded and disclosed in the financial statements for the quarter ended March 31, 2018.

(ii) It was not possible to determine the amount related to the equity pick-up in the Company's investment in EFG during the semester ended December 31, 2017. BTG Pactual will recognize the results of its participation in the investee periodically, at least every six months, whenever the information is publicly disclosed by the company.

17.Non-current Assets Held for Sale and Discontinued Operations

Discontinued Operations

On November 1, 2016, BTG Pactual sale 100% of BSI to EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a fair value adjustment in the amount of CHF387 million. EFG's stake were accounted for using the equity pick up method. BSI's purchase transaction and the subsequent sale are subject to price adjustments, or indemnity for non-compliance to the transaction, including the execution of the guarantees provided by EFG shares deposits of Bank property in related account. Obligations or rights will be recognized as their effects become quantifiable and probable. The bank expect's to incur any material losses on the sale transaction, any liabilities with material risks related to the BSI sale, is related to rights from BSI purchase.

Non-current Assets Held for Sale

BTG Pactual Holding S.A.R.L. have fulfilled the requirements for presentation as non-current assets held for sale. The amount of the investments recognized in BTG Pactual Holding S.A.R.L corresponds to R$3,427,621 (December 31, 2016 – R$1,781,685). The Bank do not expect that BTG Pactual Holding S.A.R.L are going to be sold for less than such amount, which represents its carrying amount, therefore no impairment losses were expected as of December 31, 2017. On December 31, 2016, the investment recognized on Maybrooke Holding S.A., in the amount of R$494,808, have fulfilled the requirements for presentation as non-current assets held for sale.

18.Intangible assets and goodwill

	Changes in Intangible assets				
	2016	**Acquisitions / sale**	**Amortization expenses / derecognition**	**Exchange variation**	**2017**
Goodwill	**697,751**	**(494)**	**(76,356)**	**10,583**	**631,484**
Cost	1,092,614	(494)	-	94,072	1,186,192
Amortization	(394,863)	-	(76,356)	(83,489)	(554,708)
Other intangible assets	**396,843**	**38,690**	**(41,017)**	**(2,641)**	**391,875**
Cost	340,109	89,904	-	4,458	434,471
Intangible BTG Pactual Chile	245,698	-	-	-	245,698
Amortization	(188,964)	(51,214)	(41,017)	(7,099)	(288,294)
	1,094,594	38,196	(117,373)	7,942	1,023,359

	Changes in Intangible assets				
	2015	**Acquisitions / sale**	**Amortization expenses / derecognition**	**Exchange variation**	**2016**
Goodwill	**564,406**	**353,930**	**(165,909)**	**(54,676)**	**697,751**
Cost	853,133	353,930	-	(114,449)	1,092,614
Amortization	(288,727)	-	(165,909)	59,773	(394,863)
Other intangible assets	**714,617**	**(142,587)**	**(156,123)**	**(19,064)**	**396,843**
Cost	648,788	(277,485)	-	(31,194)	340,109
Intangible BTG Pactual Chile	245,698	-	-	-	245,698
Amortization	(179,869)	134,898	(156,123)	12,130	(188,964)
	1,279,023	211,343	(322,032)	(73,740)	1,094,594

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

19.Tax Liabilities

The composition of this account is presented below:

	2017	**2016**
Deferred:		
Deferred social contribution and income tax	152,453	145,341
Deferred PIS and COFINS	10	5,429
Current:		
Tax and contributions to be collected	189,681	282,360
Tax and contribution payable (i)	2,301,464	98,144
Suspended-payment taxes and others tax liabilities	-	1,623,739
	2,643,608	2,155,013

(i) During the year ended December 31, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the partial 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 were 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.

20.Other Liabilities

The composition of this account is presented below:

	2017	2016
Cash from records and settlement	264,839	392,195
Pending settlement (i)	1,467,741	1,320,974
Other securities trading and brokerage	336,252	1,098,377
Employees' profit sharing	678,304	307,640
Provision for payables	178,929	183,765
Payable for acquisition of assets and rights (ii)	1,074,677	1,084,923
Provision for contingent liabilities	2,053,233	442,505
Allowance for guarantees	261,855	216,404
Dividends and interest on equity	612,403	894,208
Other creditors	2,678,845	1,809,643
Others	162,485	123,154
	9,769,563	7,873,788

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

21.Contingent assets and liabilities and legal obligations

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

a. Contingent assets

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

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

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

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions in the year

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recognized for such proceedings at December 31, 2017 are appropriate to cover any losses arising therefrom. The provisions recognized and their changes in the year are as follows:

	2017				2016
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,623,739	407,496	35,009	2,066,244	2,143,715
Recognition	128,355	92,573	25,848	246,776	374,317
Write-off	(25,048)	(224,721)	(10,018)	(259,787)	(451,788)
Balance at the end of the year	1,727,046	275,348	50,839	2,053,233	2,066,244
Provision for contingent liabilities				2,053,233	2,066,244

The nature of the main provisions is presented below:

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

The Bank and its subsidiaries' have been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a possible loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

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

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

As at December 31, 2017, Banco BTG Pactual and its subsidiaries were parties to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$932 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

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

- In October 2012, we received a tax assessment, which in December 31, 2017 totaled R$2,439 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R$330 million, as of December 31, 2016. On August 31, 2017 the Bank adhered to the Tax regularization program. In addition, on December 2015, the Bank received other tax assessment in the amount of R$1,950 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$808 million, which refers to 2012, 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, and goodwill generated on private subscription shares realized by Copa Prince Investors, on 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.

- The Holding Internacional S.A. received a tax assessment of income tax paid abroad, and compensated in Brazil on 2012. The value of the booking is R$ 145 millions. Against the booking, Holding presented an administrative appeal, which awaits trial in first instance.

- 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$ 173 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$69 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$1.002 millions. Against the booking, administrative appeal was presented, which awaits trial in first instance.

ii. Provision for other contingent liabilities

As at December 31, 2017 and 2016, BTG Pactual and its subsidiaries were part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

22.Income tax and social contribution

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

Income tax and social contribution	2017	2016
Tax base	499,243	4,394,960
Income before taxes	1,727,067	5,784,960
Interest on equity	(1,227,824)	(1,390,000)
Total charge of income tax and social contribution at the current rates	(150,587)	(2,511,819)
Permanent (additions) / deductions in taxation calculation	(409,987)	585,483
Equity in the earnings of subsidiaries and associated companies in Brazil	239,073	118,994
Foreign earnings	22,417	82,975
Gains on foreign gains	-	147,621
Foreign Investment hedge/overhedge	(810,126)	-
Special Tax Regularization Program	314,519	-
Other Permanent (additions) / deductions	(175,870)	235,893
Temporary (additions) / deductions on the taxation calculation	(154,500)	1,664,635
Reversal of provision for goodwill on the acquisition of investments	79,345	224,351
Interest on equity	130,532	(401,328)
Marked-to-market evaluation of securities and derivatives	(458,042)	1,762,381
Allowance for loan losses	20,271	(201,891)
Tax contingencies and provision for suspended-payment taxes	1,019	(4,502)

Income tax and social contribution	2017	2016
Interest on Special Tax Regularization Program	(152,276)	-
Other provisions	224,651	285,624
Offset of tax loss carry forwards - current and deferred liability - Brazil	(39,774)	(252,565)
Current tax expense and social contribution	(754,848)	(514,266)
Temporary differences		
Recognition / (reversal) of the year	350,799	(837,408)
Recognition on goodwill on investments	-	362,217
Recognition of loss on investment abroad	448,080	30,382
Recognition of tax loss carry forward	13,798	532,049
Recognition of Special Tax Regularization Program	491,336	-
Offset of tax loss carry forwards - Abroad	-	(110,989)
	99,027	17,467
(Expenses) / revenues from deferred taxes	1,403,040	(6,282)
Total (expenses) / revenues	648,192	(520,548)

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

Income tax and social contribution	2016	Recognition	Realization (i)	2017
Tax loss carryforwards	1,177,457	438,498	(841,784)	774,171
Interest on equity	400,500	-	(130,532)	269,968
Allowance for loan losses	810,781	(605)	(259,196)	550,980
Marked-to-market evaluation of securities and derivatives	1,742,981	567,238	(7,995)	2,302,224
Interest on equity	16,847	-	(16,847)	-
Tax contingencies and provision for suspended-payment taxes	188,062	-	(1,019)	187,043
Other temporary differences	580,428	104,128	(3,863)	680,693
	4,917,056	1,109,259	(1,261,236)	4,765,079
Reflected on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	2,202	(335)	-	1,867
Total	4,919,258	1,108,924	(1,261,236)	4,766,946

Income tax and social contribution	2015	Recognition	Realization (i)	2016
Tax loss carryforwards	827,919	633,964	(284,426)	1,177,457
Interest on equity	-	400,500	-	400,500
Allowance for loan losses	837,221	238,353	(264,793)	810,781
Marked-to-market evaluation of securities and derivatives	3,417,727	15,166,041	(16,840,787)	1,742,981
Interest on equity	150,228	-	(133,381)	16,847
Tax contingencies and provision for suspended-payment taxes	183,844	4,218	-	188,062
Other temporary differences	731,567	163,771	(314,910)	580,428
	6,148,506	16,606,847	(17,838,297)	4,917,056
Reflected on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(11,843)	2,202
Others	107,160	-	(107,160)	-
Total	6,269,711	16,606,847	(17,957,300)	4,919,258

(i) On December 31, 2017, the amount of R$220,213 (December 31, 2016 – R$32,078), refers to recovery paid taxes from investments abroad
(ii) Changes above refers exclusiviley to income tax and social contribution deferred tax assets.

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

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2018	2,570,786	155,283	2,726,069
2019	113,453	288,996	402,449
2020	99,921	178,497	278,418
2021	122,744	193,709	316,453
2022 onwards	882,693	160,864	1,043,557
Total	3,789,597	977,349	4,766,946
Present value	2,726,305	920,094	3,646,399

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

23.Shareholders' equity

a. Capital

As at December 31, 2017, fully subscribed and paid in capital consists of 2,681,601,772 shares (December 31, 2016 – 2,778,465,411), of which 1,746,065,322 common shares (December 31, 2016 – 1,778,353,202), 486,180,110 class A preferred shares (December 31, 2016 – 550,755,870), 449,356,340 class B preferred shares (December 31, 2016 – 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 was approved by BACEN on November 6, 2017.

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

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

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

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

The share movements on the year are presented below:

Banco BTG Pactual	Quantity			
		Preferred		
	Commom	Class A	Class B	Total
Outstanding at December 31, 2016	1,778,353,202	550,755,870	449,356,339	2,778,465,411
Outstanding at December 31, 2017	1,746,065,322	486,180,110	449,356,340	2,681,601,772

b. Treasury shares

During the year ended December 31, 2017, the Bank bought own units, in connection with the approved repurchase program, in the amount of R$489,977 (December 31, 2016 - R$593,285), equivalent to 31,618,580 units (December 31, 2016 – 45,827,708). On the year ended December 31, 2017, there were R$467,748 , equivalent to 32,287,880 units cancelled (December 31, 2016 – 39,930,808 units, in the amount of R$654,845). On December 31, 2017, 5,227,600 units were held in treasury, in the amount of R$93,063.

c. Legal reserve

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

d. Statutory reserve

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

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

f. Profit distribution

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

As at June 30, 2017 the Bank has accrued R$630,000 (June 30, 2016 - R$500,000), relating to interest on equity, equivalent to R$0.23 (June 30, 2016 - R$0.19) per share, which generated R$283,500 (June 30, 2016 - R$220,000) 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.

As at December 31, 2017 the Bank has accrued R$608,975 (December 31, 2016 – R$890,000), relating to interest on equity, equivalent to R$0.23 per share (December 31, 2016 - R$ 0.32 per share), which generated R$274,039 (December 31, 2016 - R$400,500) of tax benefit.

g. Other comprehensive income

During the year ended December 31, 2017 comprises: (i) the fair value changes in the financial assets available for sale from jointly controlled entities totaling a negative R$51,949 (December 31, 2016 – R$1,751); (ii) the fair value changes in the financial assets available for sale totaling negative R$106,391 (December 31, 2016 – (R$78,444)) and; (iii) the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the Reais totaling negative R$278,794 (December 31, 2016 – R$2,529,948); (iv) Net Investment Hedge of Foreign Operations, in the amount of R$313.585; (v) Pension plan changes, on the year ended December 31, 2016, in the amount of R$57,558.

24.Earnings per share

Income per share basic and diluted is calculated dividing the net income by the weighted average shares outstanding during the year. In the year ended December 31, 2017 and 2016 there were no events that caused dilution.

	2017	2016 (Restated)
Net income	2,383,120	5,341,694
Weighted average per thousand ordinary shares outstanding for the year	1,764,137,679	1,718,895,529
Weighted average per thousand preferred shares outstanding for the year	971,681,164	881,196,863
Earnings per share – básic and diluted - R$		
Common shares	0.87	2.05
Preferred shares	0.87	2.05

As result of restatetement adjustement described on note 3, esrnings per share as at 2016 is restated to R$2.05, as above, due to increase of R$0.23 per share.

25.Net interest income and net gains on financial instruments

a. Net interest income

Interest revenues	2017	2016
Other loans and receivables	1,484,441	1,485,570
Open market funding and held-to-maturity financial assets	2,858,720	3,011,979
Income from compulsory investments in Brazilian Central Bank	147,375	202,123
	4,490,536	4,699,672

Interest expense	2017	2016
Open market funding	(2,814,413)	(2,344,101)
Time deposits	(148,750)	(1,024,100)
Interbank deposit	(484,924)	(978,116)
Notes issued	(1,470,131)	(121,356)
Borrowings and loans	(168,261)	(504,343)
	(5,086,479)	(4,972,016)

b. Net gains on financial instruments

	2017	2016
Derivatives	2,524,001	3,762,835
Financial assets at fair value through profit and loss	1,477,292	2,357,744
	4,001,293	6,120,579

26.Fees and commissions

	2017	2016
Management and performance fee from investment funds and portfolios	569,044	641,285
Brokerage	158,870	133,682
Technical services	414,526	416,998
Commission on the placement of securities	195,840	144,675
Guarantees	244,431	226,422
Other services	70,948	33,336
	1,653,659	1,596,398

27.Other operating income / (expenses)

	2017	2016
Adjustment to inflation of court deposits	180,352	581,772
Recovery of charges and expenses	137,246	923,971
Recovery of charges and expenses	814,795	4,644
Tax restatement expense	(142,527)	(179,446)
Discounts granted in renegotiation	-	(19,754)
Adjustment of amounts payable for acquisition of assets (i)	(116,397)	(147,352)
Fair value of investment properties	24,627	(201,449)
Net expenses of phisycal commodities	-	(233,671)
Earnings in sale of investments	(63,687)	940,124
Advertising and public relations	(47,930)	(52,489)
Other	1,817	(26,844)
	788,296	1,589,506

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

28.Other administrative expenses

	2017	2016
Outsourced services and consulting	(408,570)	(401,474)
Telecommunications and data processing	(225,983)	(288,472)
Special Tax Regularization Program	(1,632,357)	-
Leases and condominiums	(92,397)	(105,283)
Travel and lodging	(40,612)	(54,667)
Expenses of the financial system	(145,211)	(161,352)
Advertising and Public Relations	(47,930)	(27,868)
Depreciation and amortization	(65,214)	(59,564)
Other	(332,367)	(191,541)
	(2,990,641)	(1,290,221)

29.Personnel Expenses

	2017	2016
Direct compensation	(689,658)	(1,168,699)
Benefits	(486,515)	(721,731)
Charges	(111,930)	(141,144)
Other personnel expenses	(50,425)	71,502
	(1,338,528)	(1,960,072)

30.Related parties

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

	Parent company		Subsidiaries and joint controlled entities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Open market investments	-	-	27,171	527,100	27,171	527,100
Amounts receivable from banks	-	-	400,058	435,000	400,058	435,000
Financial assets held for trading	-	-	49,336	237,547	49,336	237,547
Derivative financial instruments	-	8,275	72,276	3,658	72,276	11,933
Other loans and receivables	2,409,687	987,295	-	971,297	2,409,687	1,958,592
Other assets	-	564,500	-	-	-	564,500
Liabilities						
Amounts payable to banks	-	(58)	(85,704)	-	(85,704)	(58)
Other financial liabilities carried at amortized cost	(59,647)	(108,658)	(755,288)	(1,730,814)	(814,935)	(1,839,472)
Derivative financial instruments	-	(483)	-	(13,399)	-	(13,882)
Other liabilities	-	-	-	(3,658)	-	(3,658)
	Parent company		**Subsidiaries and joint controlled entities**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Statements of income						
Net gains on financial instruments / interest income	-	74,431	228,257	471,955	228,257	546,386
Interest expense	254	(6,887)	(7,401)	(163,175)	(7,147)	(170,062)
Other operating income	-	-	(100,700)	271	(100,700)	271

Total compensation paid to key management personnel totaling this period R$16,912 (December 31, 2016 – R$5,460) which is considered short term benefit.

31.Other information

a. Deposits

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

	2017	2016
Interbank deposits	657	753
Time deposits	562	621

b. Cash and cash equivalents

Balances at beginning of the year	**2016**	**2015**
Cash and balances at Central Bank	2,637,154	5,054,877
Amounts receivable from banks		
Interbank deposits	530,326	327,742
Overnight investments	1,412,250	3,533,062
Open market investments	4,201,596	5,079,218
Total	8,781,326	13,994,899
Balances of end of the year	**2017**	**2016**
Cash and balances at Central Bank	5,820,216	2,637,154
Amounts receivable from banks		
Interbank deposits	497,524	530,326
Overnight investments	726,150	1,412,250
Open market investments	4,183,875	4,201,596
Total	11,227,765	8,781,326

c. Commitments and responsibilities

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

	2017	2016
Co-obligation and risks for guarantees granted	29,531,510	35,969,487
Responsibility for the management of futures and investment portfolio (i)	165,325,497	160,360,167
Securities	36,030,558	33,533,341
Securities under custody	1,116,058,327	1,117,738,333
Securities trading and brokerage	1,833,298,069	1,324,544,222
Loans contract to release	972,000	297,675
Commitments to be released	112,900	47,700

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

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

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

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

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

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

32.Subsequent events

On October 26, 2018, BTG Pactual concluded a corporate reorganization through which 1,502,975,267 common shares and 449,356,340 Class B preferred shares of its issuance and held by BTG Pactual Holding S.A. - current direct controlling shareholder of the Bank - were contributed to the capital of BTG Pactual Holding Financeira Ltda., a company in which BTG Pactual Holding S.A. holds approximately 99.9% of the quotas representing its share capital, and whose corporate purpose is exclusively the equity interest in financial institutions and other institutions authorized by the Central Bank of Brazil.

The corporate reorganization has at its objective the alignment of BTG Pactual Holding S.A. structure, as provided for in applicable legislation, and did not entail any change in its participation in the Bank.

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.