

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

March 31, 2019

with independent auditor's review report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

March 31, 2019

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

Review report on the interim consolidated financial statements

To the Shareholders and Management of
Banco BTG Pactual S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. (the “Bank”), which comprise the consolidated balance sheet as of March 31, 2019, and the related consolidated statements of income, changes in shareholders’ equity and cash flows for the three-month period then ended, and a summary of significant accounting practices and other explanatory notes.

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

Scope of review

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

Conclusion

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

Emphasis of matters

Foreign subsidiary equity pickup

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

Tax credits recorded in jointly-controlled subsidiary

As at March 31, 2019, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 2,9 billion, substantially recognized based on study of the current and future scenarios approved by the subsidiary's Board of Directors. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A.. Our conclusion is not qualified in respect of this matter.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the three-month period ended at March 31, 2019 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil on which we issued an unqualified review report containing the same emphasis paragraphs described above, dated May 08, 2019.


Other matters

Consolidated Statement of value added

The consolidated statement of value added (SVA), for the three-month period ended March 31, 2019, prepared under the responsibility of Bank's management, and presented as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was subject to the same review procedures previously described. For the purposes of forming our conclusion, we evaluated whether this statement is reconciled with the interim consolidated financial statements and accounting records, as applicable, and whether its layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our conclusion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and is consistent with the interim consolidated financial statements taken as a whole.

São Paulo, May 08, 2019.

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



Flávio Serpejante Peppe
Partner

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at March 31, 2019 and December 31, 2018

(In thousands of reais)

	Note	31/03/2019	31/12/2018
Assets			
Current assets		173,283,426	101,916,558
Cash at banks	6	1,224,324	979,185
Short-term interbank investments	7	53,865,613	43,299,438
Open market investments		51,920,300	40,611,218
Interbank deposits		1,945,313	2,688,220
Securities and derivative financial instruments		67,120,866	26,062,423
Own portfolio	8	36,650,227	14,739,806
Subject to repurchase agreements	8	23,134,325	5,923,584
Subject to unrestricted repurchase agreements	8	50,608	30,823
Derivative financial instruments	9	3,426,000	2,678,010
Subject to guarantees	8	3,859,706	2,690,200
Interbank transactions		984,722	1,446,186
Deposits in the Central Bank of Brazil		984,722	1,446,186
Loans	10	7,597,746	7,363,671
Loans		7,778,697	7,554,519
Transferred loans with coobligation		185	300
Allowance for loan losses		(181,136)	(191,148)
Other receivables		42,433,162	22,710,490
Foreign exchange portfolio	11	33,458,886	17,425,255
Income receivable	12	763,494	927,264
Securities trading and brokerage	11	7,384,068	3,877,204
Sundry	12	851,521	505,344
Allowance for losses on other receivables	10	(24,807)	(24,577)
Other assets		56,993	55,165
Other assets		4,435	4,384
Prepaid expenses		52,558	50,781
Long-term-assets		29,725,161	26,533,331
Long-term interbank investments	7	128,889	197,747
Open market investments		128,889	197,747
Securities and derivative financial instruments		6,044,656	3,929,281
Own portfolio	8	1,470,123	936,337
Derivative financial instruments	9	1,383,246	1,124,875
Subject to repurchase agreements	8	1,652,238	583,784
Subject to guarantees	8	1,539,049	1,284,285
Interbank transactions		178,961	189,446
Restricted credits – National Housing System		178,961	189,446
Loans	10	11,966,859	10,855,889
Loans		12,452,537	11,296,335
Transferred loans with coobligation		4,770	5,218
Allowance for loan losses		(490,448)	(445,664)
Other receivables		11,183,602	11,156,945
Sundry	12	11,408,680	11,475,108
Allowance for losses on other receivables	10	(225,078)	(318,163)
Other assets		222,194	204,023
Temporary investments		-	100
Other assets		273,834	260,816
Prepaid expenses		29,680	24,431
Provision for losses on other assets		(81,320)	(81,324)
Permanent assets		8,797,022	9,196,536
Investments		8,494,671	8,884,999
Investments in associates and jointly controlled entities - in Brazil	13	1,824,665	1,996,651
Investments in associates and jointly controlled entities - abroad	13	6,649,525	6,865,936
Other investments		25,235	26,969
Allowance for losses in investments		(4,754)	(4,557)
Property and equipment in use		80,511	79,601
Property in use		5,619	5,473
Other property and equipment in use		276,623	268,834
Accumulated depreciation		(201,731)	(194,706)
Intangible assets	14	221,840	231,936
Other intangible assets		497,734	497,919
Accumulated amortization		(275,894)	(265,983)
Total assets		211,805,609	137,646,425

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at March 31, 2019 and December 31, 2018

(In thousands of reais)

	Note	31/03/2019	31/12/2018
Liabilities			
Current liabilities		150,204,259	87,410,057
Deposits	15	18,142,556	19,343,084
Demand deposits		406,038	287,303
Interbank deposits		360,308	294,814
Time deposits		17,376,210	18,760,967
Open market funding	15	62,469,628	35,183,034
Own portfolio		25,622,243	6,279,037
Third-party portfolio		31,842,840	22,077,242
Free trading portfolio		5,004,545	6,826,755
Funds from securities issued and accepted	15	4,040,903	3,038,973
Real estate, mortgage, credit and similar notes		2,267,931	2,794,574
Securities issued abroad		1,692,670	171,152
Certificates of structured transactions		80,302	73,247
Interbank transactions		8,798	6,804
Unsettled receipts and payments		8,798	6,804
Interdependencies transactions		107,135	74,926
Unsettled third party assets		107,135	74,926
Loans and borrowings	15	2,025,735	1,925,453
Loans abroad		1,931,493	1,823,487
Borrowings in Brazil		94,242	101,966
Derivative financial instruments	9	2,443,557	1,644,030
Derivative financial instruments		2,443,557	1,644,030
Other liabilities		60,965,947	26,193,753
Collection and payments of tax and similar charges		9,025	5,639
Foreign exchange portfolio	11	33,099,103	16,480,025
Social and statutory	16	235,601	1,231,290
Tax and social security	16	355,011	485,211
Securities trading and brokerage	11	24,055,208	5,200,827
Subordinated debt	15	1,375,630	1,667,853
Sundry	16	1,836,369	1,122,908
Long-term liabilities		41,412,038	31,122,733
Deposits	15	1,830,751	1,607,003
Interbank deposits		91,296	83,596
Time deposits		1,739,455	1,523,407
Open market funding	15	7,780,793	391,952
Third-party portfolio		104,181	147,110
Free trading portfolio		7,676,612	244,842
Funds from securities issued and accepted	15	10,804,876	11,357,330
Real estate, mortgage, credit and similar notes		7,706,585	6,611,552
Securities issued abroad		2,997,625	4,641,156
Certificates of structured transactions		100,666	104,622
Loans and borrowings	15	3,316,041	3,044,157
Loans abroad		599,140	358,948
Borrowings in Brazil		2,716,901	2,685,209
Derivative financial instruments	9	1,626,148	1,169,438
Derivative financial instruments		1,626,148	1,169,438
Other liabilities		16,053,429	13,552,853
Tax and social security	16	110,568	309,395
Subordinated debt	15	4,043,869	3,598,303
Debt instrument eligible to capital	15	5,860,772	3,579,529
Sundry	16	6,038,220	6,065,626
Deferred income		141,614	130,030
Non-controlling interest		598,608	138,671
Shareholders' equity	19	19,449,090	18,844,934
Capital		7,392,092	7,392,092
Capital Reserve		652,515	652,515
Asset valuation adjustment		36,466	103,187
Income reserves		10,821,588	10,825,684
Treasury shares		(128,544)	(128,544)
Retained earnings		674,973	-
Total Liabilities and Shareholders' equity		211,805,609	137,646,425

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Quarters ended March 31

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

	Note	31/03/2019	31/03/2018
Financial income		2,601,695	2,438,914
Loans		402,215	268,650
Securities		1,761,655	1,621,445
Derivative financial instruments		418,715	399,903
Foreign Exchange		-	133,485
Mandatory investments		19,110	15,431
Financial expenses		(1,889,078)	(1,406,534)
Funding operations		(1,365,144)	(1,127,550)
Borrowing and onlending		(325,107)	(278,633)
Foreign Exchange		(156,887)	-
Allowance for loan losses and other receivables	10	(41,940)	(351)
Net financial income		712,617	1,032,380
Other operating expenses		214,802	(156,066)
Income from services rendered	20	633,851	448,933
Personnel expenses		(194,460)	(182,538)
Other administrative expenses	23	(292,363)	(287,486)
Tax charges		(69,188)	(55,961)
Equity earnings of associates and jointly controlled entities	13	124,157	(36,126)
Other operating income	21	111,334	144,959
Other operating expenses	22	(98,529)	(187,847)
Operating income		927,419	876,314
Non-operating (expenses) / income		28,467	7,259
Income before taxation and profit sharing		955,886	883,573
Income tax and social contribution	18	(119,607)	(155,773)
Provision for income tax		(38,613)	(147,592)
Provision for social contribution		(51,767)	(48,912)
Deferred income tax and social contribution		(29,227)	40,731
Statutory profit sharing		(166,226)	(124,437)
Non-controlling interest		4,920	(3,005)
Net income for the quarter	19	674,973	600,358
Interest on equity	19	-	353
Weighted average numbers of share outstanding		2,637,236,572	2,681,601,772
Net income per share - R\$		0.26	0.22

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – parent company

Quarters ended March 31

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

	Note	Income reserves							Asset valuation adjustment	Treasury shares	Retained earnings	Total
		Capital	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	Total				
Balances as at December 31, 2017		7,392,092	652,515	-	1,181,507	2,803,820	6,417,364	10,402,691	114,992	(93,063)	-	18,469,227
Own shares acquired	19b	-	-	-	-	-	-	-	-	(37,883)	-	(37,883)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-	-	353	353
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(84,808)	-	-	(84,808)
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	209,580	-	-	209,580
Currency translation adjustments		-	-	-	-	-	-	-	121,941	-	-	121,941
Foreign Investment hedge		-	-	-	-	-	-	-	(122,807)	-	-	(122,807)
Intermediate interest on equity (R\$0.11 per share)	19	-	-	300,000	-	-	(300,000)	-	-	-	-	-
Changes in accounting practices of associates		-	-	-	-	-	(507,935)	(507,935)	-	-	-	(507,935)
Net income for the quarter		-	-	-	-	-	-	-	-	-	600,358	600,358
Balances as at March 31, 2018		<u>7,392,092</u>	<u>652,515</u>	<u>300,000</u>	<u>1,181,507</u>	<u>2,803,820</u>	<u>5,609,429</u>	<u>9,894,756</u>	<u>238,898</u>	<u>(130,946)</u>	<u>600,711</u>	<u>18,648,026</u>
Balances as at December 31, 2018		7,392,092	652,515	-	1,245,452	2,672,775	6,852,992	10,771,219	103,187	(128,544)	-	18,790,469
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	29,018	-	-	29,018
Changes in fair value of associates and jointly controlled	13	-	-	-	-	-	-	-	(76,544)	-	-	(76,544)
Currency translation adjustments		-	-	-	-	-	-	-	36,930	-	-	36,930
Foreign Investment hedge		-	-	-	-	-	-	-	(56,125)	-	-	(56,125)
Intermediate interest on equity (R\$0.11 per share)	19	-	-	300,000	-	-	(300,000)	-	-	-	-	-
Changes in accounting practices of associates		-	-	-	-	-	(4,096)	(4,096)	-	-	-	(4,096)
Net income for the quarter		-	-	-	-	-	-	-	-	-	674,973	674,973
Balances as at March 31, 2019		<u>7,392,092</u>	<u>652,515</u>	<u>300,000</u>	<u>1,245,452</u>	<u>2,672,775</u>	<u>6,548,896</u>	<u>10,767,123</u>	<u>36,466</u>	<u>(128,544)</u>	<u>674,973</u>	<u>19,394,625</u>

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

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Quarters ended March 31

(In thousands of reais)

	Note	31/03/2019	31/03/2018
Operating activities			
Net income for the quarter		674,973	600,358
Adjustments to net income		256,485	263,758
Equity pick up from associates and jointly controlled entities	13	(124,157)	36,126
Interest expense with subordinated debt		338,330	263,460
Deferred income tax and social contribution		29,227	(40,731)
Goodwill exchange variation	14	(447)	(8,511)
Permanent assets exchange variation		(254)	(929)
Depreciation and amortization	23	13,786	14,343
Adjusted net income for the quarter		931,458	864,116
(Increase)/decrease in operational activities			
Short-term interbank investments		16,201,845	(4,187,369)
Securities and derivative financial instruments		(2,891,761)	(3,958,352)
Loans		(1,345,046)	(1,006,197)
Other receivables and other assets		(18,527,602)	169,501
Interbank transactions		473,943	517,189
Interdependencies transactions		32,209	198,852
Other liabilities		17,519,281	2,287,176
Deferred income		11,584	(10,532)
Deposits		(976,780)	9,865,043
Open market funding		5,754,431	8,101,296
Loans and borrowings		372,166	472,191
Cash provided by operating activities		17,555,728	13,312,914
Investing activities			
Sale of other investment		1,931	5,701
Acquisition / sale of equity interests	13	272,263	(380,224)
Dividends and interest on equity received	13	136,032	27,216
Acquisition / sale of property		2,024	(2,501)
Acquisition / sale of intangible assets	14	(5,924)	(1,077)
Consolidação de negócios, líquido de caixa		(1,585,877)	-
Cash (used in) by investing activities		(1,179,551)	(350,885)
Financing activities			
Acquisition of treasury shares		-	(37,883)
Funds from securities issued and accepted		449,476	(158,628)
Subordinated debt and debt instrument eligible to equity		2,096,256	(275,658)
Non-controlling interest		459,937	33,984
Interest on equity	19	-	(608,622)
Cash provided by / (used in) financing activities		3,005,669	(1,046,807)
Increase in cash and cash equivalents		19,381,846	11,915,222
Balance of cash and cash equivalents	25		
At the beginning of the quarter		26,659,250	23,201,005
At the end of the quarter		46,041,096	35,116,227
Increase in cash and cash equivalents		19,381,846	11,915,222
Non-cash transaction		29,018	76,691
Acquisition / Increase/ Transfer of equity interests		-	161,499
Changes in fair value of assets available for sale		29,018	(84,808)

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Quarters ended March 31

(In thousands of reais)

	Note	31/03/2019	31/03/2018
Income		3,276,817	2,887,847
Financial brokerage		2,601,695	2,438,914
Services rendered	20	633,851	448,933
Other		41,271	-
Expenses		(1,889,078)	(1,442,163)
Financial brokerage		(1,847,138)	(1,406,183)
Allowance for loan losses and other receivables	10	(41,940)	(351)
Other		-	(35,629)
Inputs acquired from third parties		(258,565)	(252,578)
Materials, energy and other		(2,867)	(3,166)
Outsourced services		(255,698)	(249,412)
Gross value added		1,129,174	1,193,106
Depreciation and amortization	23	(13,786)	(14,343)
Net value added produced by the entity		1,115,388	1,178,763
Value added received through transfer		124,157	(36,126)
Equity in the earnings of associates and jointly controlled entities		124,157	(36,126)
Value added to be distributed		1,239,545	1,142,637
Distribution of value added		1,239,545	1,142,637
Personnel		360,662	306,979
Direct compensation		296,461	253,689
Benefits		40,525	28,909
FGTS – government severance pay fund		23,676	24,003
Other		-	378
Taxes, fees and contributions		188,794	211,730
Federal		167,589	196,670
Municipal		21,205	15,060
Remuneration of third party capital		20,036	20,565
Rent expenses		20,036	20,565
Remuneration of shareholders		670,053	603,363
Retained earnings		674,973	600,711
Interest on equity		-	(353)
Non-controlling interest		(4,920)	3,005

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

March 31, 2019

(In thousands of reais, except otherwise indicated)

1. Operations

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

2. Corporate reorganization and acquisitions

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

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

On March 13, 2019, Caixapar notified the exercise of the right to acquire 50% of the shares subscribed by the Bank on November 2017, so that the total capital stock of the Company will be: (i) 41.7% for CAIXAPAR; (ii) 41.7% for BTG Pactual and (iii) 16.6% for minority shareholders.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

March 31, 2019

(In thousands of reais, except otherwise indicated)

Acquisitions and disposals

After the issuance of EFG International ("EFG") financial statements for the year ended December 31, 2017, on February 27, 2018, BTG Pactual became aware of EFG decision to change its accounting practices to reflect certain adjustments in its accounting practices with prospective adoption effects. Due to these changes, the EFG recognized a reduction in its shareholders' equity corresponding to CHF493.9 million, which consequently caused a negative effect on BTG Pactual shareholders' equity in the amount of R\$503 million as a reduction of the Statutory Reserve.

3. Presentation of the financial statements

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

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

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

The consolidated financial statements were approved by the Bank's management on May 8, 2019, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

a. Consolidated financial statements

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

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

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

	Country	Equity interest - %	
		31/03/2019	31/12/2018
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 Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	75.54	75.54
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.91	99.91
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	70.00
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
ZB Consultoria Ltda	Brazil	99.99	99.99
BTG Pactual (UK) Limited		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
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 S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	99.70	99.70
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00

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	Country	Equity interest - %	
		31/03/2019	31/12/2018
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
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual UK Holdco Limited	UK	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	100.00
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	-	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	100.00
BTG Pactual Chile Asesorias Financieras	Chile	100.00	100.00
PFC Consultoria e Assessoria Empresarial Eireli	Brazil	100.00	100.00
Engelhart CTP Absolute Return Limited	Cayman	100.00	100.00
Lutece Holdings Ltd.	Bermudas	100.00	100.00
Lutece Investment Management Ltd.	Bermudas	100.00	100.00
BTG Pactual Seguros S.A	Brazil	100.00	-
BTG Pactual Reinsurance Ltd.	Cayman	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 Absolute Return Master Fund	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	100.00
BTGP Int Fund II SPC - BTGPH Corp Hedge	Brazil	100.00	100.00
BTG PACTUAL RED FIP - Multimercado Investimento no Exterior	Brazil	100.00	100.00
FIM CP Energy	Brazil	51.48	51.48
FIM CP Vitória Fidelis	Brazil	100.00	100.00
FIDC NP Alternative Assets II	Brazil	100.00	100.00
BTG Pactual SICAV - Mexico Equity Fund	Luxembourg	94.44	-
BTG Pactual SICAV- Latin America Equity Fund	Luxembourg	95.07	-
BTG GEMM Brazil Investments LP	Luxembourg	70.00	-
BTG Pactual Fondo Alfa Concentrado S.A. de C.V.	Mexico	94.98	-
BTG Pactual Absoluto Global Equities Inst FIA IE	Brazil	100.00	-
BTG Pactual Absoluto Global Equities FIA	Brazil	88.33	-
BTG Pactual Absoluto Global Equities	Brazil	84.06	-

b. Functional currency

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

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

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

4. Significant accounting practices

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

a. Cash and cash equivalents

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

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

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

c. Securities

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

i. Trading securities

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

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

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ii. Available for sale securities

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

iii. Held-to-maturity securities

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

d. Derivative financial instruments

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

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

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

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

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

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

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

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

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

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

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

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

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

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

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i. Allowance for loan losses

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

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

j. Investment property

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

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

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

k. Investments

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

l. Foreign currency translation

See note 3b.

m. Goodwill and negative goodwill

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

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

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

n. Property and equipment in use and deferred charges

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

o. Intangible assets

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

p. Impairment on non-financial assets

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

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

q. Income tax and social contribution

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

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

Recognized according to the criteria described below:

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i. Contingent assets

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

ii. Contingent liabilities

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

iii. Legal obligation – tax and social security

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

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

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

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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. Operational limits

	<u>31/03/2019</u>	<u>31/12/2018</u>
Reference Shareholders' Equity	19,394,625	18,790,469
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	<u>19,449,090</u>	<u>18,844,934</u>
Tier I	13,908,894	13,073,230
Common Equity	10,411,175	9,519,308
Complementary Equity	3,497,719	3,553,922
Tier II	<u>1,485,897</u>	<u>1,813,130</u>
Reference Shareholders' Equity (PR) - (a)	<u>15,394,791</u>	<u>14,886,360</u>
Required Reference Shareholders' Equity (PRE)	8,065,883	7,751,994
Total exposure risk-weighted - (b)	<u>100,823,538</u>	<u>89,878,195</u>
Credit risk	53,500,000	52,997,712
Operational risk	6,958,234	4,370,623
Market risk	40,365,304	32,509,860
Basel ratio - (a/b)	15.3%	16.6%
Tier I capital	13.8%	14.6%
Tier II capital	1.5%	2.0%
Fixed assets ratio	94.6%	96.5%
Fixed assets to equity capital ratio	7,689,618	7,434,944
Status for fixed assets to equity capital ratio	7,275,036	7,176,296
Amount of margin (insufficiency)	414,581	258,648

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

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

As at the quarter ended March 31, 2019 and year ended December 31, 2018, the Bank was in compliance with all operating limits.

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b. Market risk

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

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

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

In millions of R\$	March 2019	December 2018	March 2018
Daily average VaR	133.0	82.7	117.0

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.

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d. Liquidity risk

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

e. Operational risk

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

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

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

6. Cash at banks

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

7. Interbank investments

	31/03/2019					31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	52,049,189	51,164,410	755,890	56,774	72,115	40,808,965
Own portfolio	7,992,079	7,798,544	168,876	24,659	-	12,334,671
Federal government bonds	7,664,233	7,578,560	85,575	98	-	12,051,604
Corporate bonds	309,758	201,896	83,301	24,561	-	226,991
Foreign private securities	-	-	-	-	-	55,368
Foreign government bonds	18,088	18,088	-	-	-	708
Third-party portfolio	32,032,926	31,411,290	517,406	32,115	72,115	22,105,908
Federal government bonds	31,412,094	31,083,381	268,304	5,261	55,148	21,877,628
Foreign private securities	-	-	-	-	-	69,094
Corporate bonds	582,463	289,540	249,102	26,854	16,967	159,186
Foreign government bonds	38,369	38,369	-	-	-	-
Short position	12,024,184	11,954,576	69,608	-	-	6,368,386
Federal government bonds	4,306,074	4,236,466	69,608	-	-	6,347,237
Corporate bonds	-	-	-	-	-	6,562
Foreign government bonds	7,718,110	7,718,110	-	-	-	14,587
Interbank investments (*)	1,945,313	1,935,333	9,980	-	-	2,688,220
Interbank deposit certificates	241,265	231,285	9,980	-	-	234,582
Investments in foreign currency - overnight	1,704,048	1,704,048	-	-	-	2,453,638
Total	53,994,502	53,099,743	765,870	56,774	72,115	43,497,185

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

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The collateral received in repurchase agreements amounts to R\$52,529,964 (December 31, 2018 - R\$41,756,800), whereas the collateral granted amounts to R\$72,612,717 (December 31, 2018 - R\$37,373,792).

8. Securities

a. By type of portfolio

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

	31/03/2019							31/12/2018
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	37,935,615	38,120,350	10,473,413	917,963	17,206,901	1,232,555	8,289,518	15,676,143
Federal government bonds	8,509,838	8,510,050	3,716,208	121,866	2,204,933	420,273	2,046,770	2,432,809
Debentures/Eurobonds (i)	1,068,593	854,486	-	19,581	197,227	299,790	337,888	601,725
Investment fund quotes								
Shares	64,531	64,531	64,531	-	-	-	-	59,686
Multimarket	1,490,237	1,490,237	1,486,844	-	-	-	3,393	2,411,183
FIDC - Credit Rights	144,808	144,808	-	10,054	544	1,681	132,529	141,459
Real Estate	138,871	138,961	103,223	-	-	-	35,738	133,476
Equity Investment fund	694,749	694,749	-	-	-	-	694,749	295,037
Shares	3,401,799	3,761,992	3,761,992	-	-	-	-	4,284,301
Certificate of real estate								
receivables	36,119	35,880	-	-	8,480	893	26,507	37,304
Certificate of bank deposits	3,298	3,298	3,298	-	-	-	-	-
Other	397,273	396,532	314,590	61,442	18,439	-	2,061	409,099
Foreign government bonds	17,540,478	17,575,640	70,638	538,268	14,504,294	188,787	2,273,653	2,389,178
Foreign private securities	4,445,021	4,449,186	952,089	166,752	272,984	321,131	2,736,230	2,480,886
Unrestricted portfolio	50,558	50,608	-	-	-	47,812	2,796	30,823
Federal government bonds	50,558	50,608	-	-	-	47,812	2,796	30,823
Subject to repurchase agreements	24,775,713	24,786,563	1,621,150	1,471,681	9,645,805	7,736,760	4,311,167	6,507,368
Federal government bonds	3,277,962	3,280,196	1,538,665	-	38,392	1,703,139	-	4,747,143
Foreign government bonds	21,086,674	21,120,942	82,485	1,415,283	9,450,689	5,932,090	4,240,395	703,074
Other	776	776	-	-	776	-	-	-
Foreign private securities	23,690	15,602	-	4,325	-	6,539	4,738	442,082
Debentures (i)	386,611	369,047	-	52,073	155,948	94,992	66,034	615,069
Subject to guarantees	5,348,322	5,398,755	2,928,151	128,466	1,662,961	387,034	292,143	3,974,485
Federal government bonds	3,654,458	3,656,259	1,660,421	121,183	1,575,537	299,118	-	1,877,978
Investment fund quotes								
Multimarket	793,963	793,963	793,963	-	-	-	-	628,599
Debentures (i)	110,781	151,577	-	-	63,661	87,916	-	168,575
Certificate of real estate								
receivables	294,814	292,143	-	-	-	-	292,143	291,574
Shares	445,260	455,767	455,767	-	-	-	-	964,920
Foreign private securities	49,046	49,046	18,000	7,283	23,763	-	-	42,839
Trading securities	60,505,890	60,945,808	12,607,108	2,184,658	26,859,849	7,607,083	11,687,110	19,087,188
Available for sale securities	3,139,131	2,945,281	380,236	333,452	523,238	499,841	1,208,514	2,895,644
Held-to-maturity securities	4,465,187	4,465,187	2,035,370	-	1,132,580	1,297,237	-	4,205,987
Total	68,110,208	68,356,276	15,022,714	2,518,110	28,515,667	9,404,161	12,895,624	26,188,819

(i) Substantially securities issued by Brazilian companies.

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b. Trading securities

	31/03/2019							31/12/2018
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	35,636,412	36,035,558	10,140,123	636,584	16,904,048	915,622	7,439,181	13,901,963
Federal government bonds	8,509,838	8,510,050	3,716,208	121,866	2,204,933	420,273	2,046,770	2,432,809
Debentures/Eurobonds	-	-	-	-	-	-	-	71,163
Investment fund quotes								
Shares	64,531	64,531	64,531	-	-	-	-	59,686
Multimarket	1,490,237	1,490,237	1,486,844	-	-	-	3,393	2,411,183
FIDC - Credit Rights	144,808	144,808	-	10,054	544	1,681	132,529	141,459
Real Estate	138,871	138,961	103,223	-	-	-	35,738	133,476
Equity Investment fund	487,012	487,012	-	-	-	-	487,012	108,925
Shares	3,401,799	3,761,992	3,761,992	-	-	-	-	4,284,301
Certificate of real estate receivables	-	-	-	-	-	-	-	233
Certificate of bank deposits	3,298	3,298	3,298	-	-	-	-	-
Other	1,626	1,619	-	-	-	-	1,619	10
Foreign government bonds	17,363,860	17,398,657	70,638	409,851	14,455,728	188,787	2,273,653	2,230,297
Foreign private securities	4,030,532	4,034,393	933,389	94,813	242,843	304,881	2,458,467	2,028,421
Unrestricted portfolio	50,558	50,608	-	-	-	47,812	2,796	30,823
Federal government bonds	50,558	50,608	-	-	-	47,812	2,796	30,823
Subject to repurchase agreements	21,515,173	21,543,587	82,485	1,419,608	9,450,689	6,345,672	4,245,133	2,557,697
Federal government bonds	404,809	407,043	-	-	-	407,043	-	1,412,541
Foreign government bonds	21,086,674	21,120,942	82,485	1,415,283	9,450,689	5,932,090	4,240,395	703,074
Foreign private securities	23,690	15,602	-	4,325	-	6,539	4,738	442,082
Subject to guarantees	3,303,747	3,316,055	2,384,500	128,466	505,112	297,977	-	2,596,705
Federal government bonds	2,062,424	2,064,225	1,163,716	121,183	481,349	297,977	-	1,006,593
Investment fund quotes								
Multimarket	747,017	747,017	747,017	-	-	-	-	582,353
Shares	445,260	455,767	455,767	-	-	-	-	964,920
Foreign private securities	49,046	49,046	18,000	7,283	23,763	-	-	42,839
Total	60,505,890	60,945,808	12,607,108	2,184,658	26,859,849	7,607,083	11,687,110	19,087,188

c. Available-for-sale securities

	31/03/2019							31/12/2018
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	2,299,203	2,084,792	333,290	281,379	302,853	316,933	850,337	1,774,180
Investment fund quotes								
Equity investment fund	207,737	207,737	-	-	-	-	207,737	186,112
Debentures	1,068,593	854,486	-	19,581	197,227	299,790	337,888	530,562
Certificate of real estate receivables	36,119	35,880	-	-	8,480	893	26,507	37,071
Foreign government bonds	176,618	176,983	-	128,417	48,566	-	-	158,881
Foreign private securities	414,489	414,793	18,700	71,939	30,141	16,250	277,763	452,465
Other	395,647	394,913	314,590	61,442	18,439	-	442	409,089
Subject to repurchase agreements	387,387	369,823	-	52,073	156,724	94,992	66,034	615,069
Debentures	386,611	369,047	-	52,073	155,948	94,992	66,034	615,069
Other	776	776	-	-	776	-	-	-
Subject to guarantees	452,541	490,666	46,946	-	63,661	87,916	292,143	506,395
Debentures	110,781	151,577	-	-	63,661	87,916	-	168,575
Investment fund quotes								
Multimarket	46,946	46,946	46,946	-	-	-	-	46,246
Certificate of real estate receivables	294,814	292,143	-	-	-	-	292,143	291,574
Total	3,139,131	2,945,281	380,236	333,452	523,238	499,841	1,208,514	2,895,644

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d. Held-to-maturity securities

	31/03/2019					31/12/2018	
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Subject to re purchase	2,873,153	1,538,665	-	38,392	1,296,096	-	3,334,602
Federal government bonds	2,873,153	1,538,665	-	38,392	1,296,096	-	3,334,602
Subject to guarantees	1,592,034	496,705	-	1,094,188	1,141	-	871,385
Federal government bonds	1,592,034	496,705	-	1,094,188	1,141	-	871,385
Total	4,465,187	2,035,370	-	1,132,580	1,297,237	-	4,205,987

If measured at fair value, held-to-maturity securities would be reported as at the quarter ended March 31, 2019 with a positive adjustment of R\$3.803 (December 31, 2018 – R\$42,870 positive).

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

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the quarter ended on March 31, 2019 and December 31, 2018.

9. Derivative financial instruments

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

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

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

As at the quarter ended March 31, 2019 and year ended December 31, 2018, 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.

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	31/03/2019		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	12,029,489	(56,125)	6,883,266

	31/12/2018		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations	13,474,849	(1,082,239)	7,061,816

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

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

a. Recognized in memorandum and balance sheet accounts

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

	31/03/2019				31/12/2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position					
Currency	27,523,937	20,892,699	8,416,215	56,832,851	33,915,982
Interest rate	5,094,683	2,976	-	5,097,659	1,810,940
Index	11,244,204	20,881,277	7,530,416	39,655,897	31,582,862
Equities	1,464,423	-	884,275	2,348,698	450,917
Commodities	9,576,436	-	-	9,576,436	71,263
	144,191	8,446	1,524	154,161	-
Short position	30,878,339	10,013,804	2,222,556	43,114,699	27,044,099
Currency	427,936	4,708	81,773	514,417	1,092,438
Interest rate	13,711,514	10,009,096	1,447,621	25,168,231	24,512,708
Index	1,318,557	-	693,162	2,011,719	994,745
Equities	15,420,332	-	-	15,420,332	444,208
Swap					
Long position					
Currency	124,570,676	15,668,403	25,808,483	166,047,562	69,148,288
Interest rate	3,622,662	691,029	1,348,423	5,662,114	3,085,271
Index	116,451,102	14,269,413	14,366,218	145,086,733	62,318,526
Equities	15,252	39,813	368,081	423,146	422,816
Commodities	4,337,996	457,178	9,527,325	14,322,499	2,016,917
Other	4,873	955	-	5,828	12,312
	138,791	210,015	198,436	547,242	1,292,446
Short position	124,570,676	15,668,403	25,808,483	166,047,562	69,148,288
Currency	3,517,511	743,293	1,974,541	6,235,345	3,921,538
Interest rate	115,140,043	14,455,343	12,878,955	142,474,341	60,815,690
Index	99,382	1,991	768,896	870,269	877,138
Equities	3,845,611	418,449	9,479,427	13,743,487	483,499
Other	1,968,129	49,327	706,664	2,724,120	3,050,423

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	31/03/2019				31/12/2018
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Credit Derivatives					
Long position	-	-	693,528	693,528	84,471
Sovereign	-	-	140,281	140,281	84,471
Corporate	-	-	553,247	553,247	-
Short position	77,934	-	275,712	353,646	250,176
Sovereign	77,934	-	91,767	169,701	91,252
Corporate	-	-	183,945	183,945	158,924
Non-deliverable forward - NDF					
Long position	64,083,872	11,275,660	3,844,522	79,204,054	48,024,872
Currency	62,687,756	10,134,036	302,833	73,124,625	41,828,922
Index	1,396,116	1,141,624	3,541,689	6,079,429	6,195,950
Short position	64,083,872	11,275,660	3,844,522	79,204,054	48,024,872
Currency	57,879,055	9,546,788	63,142	67,488,985	33,731,120
Index	1,396,116	1,141,624	3,541,689	6,079,429	6,195,950
Interest rate	4,784,639	584,581	239,691	5,608,911	8,085,278
Other	24,062	2,667	-	26,729	12,524
Security forwards					
Long position	985,116	199	81,773	1,067,088	-
Currency	17,112	199	81,773	99,084	-
Shares	5,514	-	-	5,514	-
Government bonds	962,490	-	-	962,490	-
Short position	985,116	199	81,773	1,067,088	-
Currency	17,112	199	81,773	99,084	-
Shares	5,514	-	-	5,514	-
Government bonds	962,490	-	-	962,490	-
Options market					
Call option - long position	10,931,319	1,592,543	899,391	13,423,253	7,420,902
Equities	3,262,623	1,441,491	230,070	4,934,184	1,783,677
Currency	7,033,246	151,052	557,532	7,741,830	5,353,634
Index	635,450	-	111,789	747,239	204,545
Other	-	-	-	-	79,046
Put option - long position	59,228,108	15,364,378	8,431,544	83,024,030	69,754,811
Equities	17,039,707	5,435,865	8,375,677	30,851,249	4,047,293
Commodities	26,524,569	-	-	26,524,569	-
Index	10,233,230	9,856,500	-	20,089,730	-
Currency	5,430,602	72,013	55,867	5,558,482	20,108,993
Interest rate	-	-	-	-	45,598,525
Call option - short position	8,934,015	362,754	54,380	9,351,149	2,476,598
Equities	2,174,935	114,395	-	2,289,330	245,415
Commodities	58,451	-	-	58,451	-
Currency	6,136,181	248,359	23,125	6,407,665	1,983,164
Index	564,448	-	31,255	595,703	248,019
Put option - short position	40,920,675	9,924,846	46,989	50,892,510	64,264,616
Equities	961,372	2,871	-	964,243	243,357
Commodities	26,473,327	-	-	26,473,327	-
Index	10,623,258	9,853,000	-	20,476,258	441,088
Currency	2,862,718	68,975	46,989	2,978,682	16,435,600
Interest rate	-	-	-	-	47,144,571

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b. By cost and market value

	31/03/2019					31/12/2018
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	61,455	61,455	61,455	-	-	548
Short position	98,957	98,957	98,957	-	-	2,969
Swaps						
Long position	763,878	825,657	99,763	78,107	647,787	816,237
Short position	1,401,035	1,432,363	179,461	49,775	1,203,127	1,318,129
Credit derivatives						
Long position	6,111	12,012	482	-	11,530	13,054
Short position	21,096	21,010	-	-	21,010	12,311
Non-deliverable forward - NDF						
Long position	1,517,664	1,524,819	707,143	403,942	413,734	1,504,793
Short position	997,946	1,032,370	501,276	221,712	309,382	743,548
Security forwards						
Long position	960,291	960,291	960,291	-	-	300,971
Short position	962,751	962,752	961,702	-	1,050	298,746
Options market						
Long position	1,444,379	1,425,012	955,124	159,693	310,195	1,167,282
Short position	557,391	522,253	327,874	102,800	91,579	437,765
Long position	4,753,778	4,809,246	2,784,258	641,742	1,383,246	3,802,885
Short position	4,039,176	4,069,705	2,069,270	374,287	1,626,148	2,813,468

c. Notional by counterparty

	31/03/2019					31/12/2018
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	44,431,490	12,401,361	-	-	56,832,851	33,915,982
Short position	26,521,520	16,593,179	-	-	43,114,699	27,044,099
Swap						
Long position	3,932,460	159,878,964	2,219,316	16,822	166,047,562	69,148,288
Short position	3,932,460	159,878,964	2,219,316	16,822	166,047,562	69,148,288
Credit derivatives						
Long position	-	693,528	-	-	693,528	84,471
Short position	-	353,646	-	-	353,646	250,176
Non-deliverable forward - NDF						
Long position	-	70,990,865	8,009,313	203,876	79,204,054	48,024,872
Short position	-	70,990,865	8,009,313	203,876	79,204,054	48,024,872
Security forwards						
Long position	5,514	1,061,574	-	-	1,067,088	-
Short position	5,514	1,061,574	-	-	1,067,088	-
Options market						
Long position	21,035,163	75,101,579	49,441	261,100	96,447,283	77,175,713
Short position	21,549,682	38,476,380	59,972	157,625	60,243,659	66,741,214
Long position	69,404,627	320,127,871	10,278,070	481,798	400,292,366	228,349,326
Short position	52,009,176	287,354,608	10,288,601	378,323	350,030,708	211,208,649

(i) Includes investments funds.

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d. Credit derivatives

	<u>31/03/2019</u>	<u>31/12/2018</u>
Credit swap		
Transferred risk		
Sovereign	70,141	84,471
Corporate	276,624	-
Risk received		
Sovereign	(84,851)	(91,252)
Corporate	(91,972)	(158,924)
	<u>169,942</u>	<u>(165,705)</u>

During the quarter ended March 31, 2019 and year ended December 31, 2018, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at March 31, 2019 is R\$8.605 (December 31, 2018 – R\$21,318).

e. Guarantee margins

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$1,845,850 (December 31, 2018 – R\$2,413,113) and shares in the amount of R\$455,767 (December 31, 2018 – R\$2,413,113).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

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

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

10.Loans

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

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

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	31/03/2019		31/12/2018	
	Balance	Allowance	Balance	Allowance
Loans	14,587,440	(596,239)	13,664,984	(557,633)
Financing	1,629,151	(60,913)	1,419,172	(64,786)
FINAME/BNDES	2,894,095	(14,432)	2,890,562	(14,393)
Securities financing	1,120,548	-	876,136	-
Transferred loans with co-obligations (i)	4,955	-	5,518	-
Total	<u>20,236,189</u>	<u>(671,584)</u>	<u>18,856,372</u>	<u>(636,812)</u>

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

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ii. By risk level and maturity

Risk level	31/03/2019					31/12/2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	298	4,372,030	575,208	5,317,080	10,264,616	-	9,150,140	-
A	224	672,442	499,745	4,074,957	5,247,368	(27,407)	4,678,634	(23,393)
B	-	462,310	242,209	1,282,089	1,986,608	(20,687)	1,642,561	(16,426)
C	106,538	256,386	211,888	443,760	1,018,572	(22,334)	1,521,783	(75,582)
D	29,308	55,939	9,106	456,925	551,278	(146,547)	1,364,380	(293,854)
E	60,553	38,490	22,593	752,315	873,951	(286,597)	276,426	(82,928)
F	74,093	4,242	4,801	125,492	208,628	(83,155)	134,566	(74,368)
G	158	-	120	760	1,038	(727)	58,739	(41,117)
H	62,694	14,309	3,198	3,929	84,130	(84,130)	29,143	(29,144)
Total	333,866	5,876,148	1,568,868	12,457,307	20,236,189	(671,584)	18,856,372	(636,812)

iii. By activity sector

Sector	31/03/2019	31/12/2018
Commerce	3,602,357	2,609,460
Industry	2,408,346	2,977,475
Services	12,810,748	11,938,704
Rural	863,584	863,290
Individuals	551,154	467,443
Total	20,236,189	18,856,372

b. Other receivables with loans characteristics and transferred loan

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

i. By risk level and maturity

Risk level	31/03/2019					31/12/2018		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	36,922	-	36,922	-	36,263	-
C	-	-	1,657	1,862	3,519	(106)	5,228	(157)
Total	-	-	38,579	1,862	40,441	(106)	41,491	(157)

ii. By activity sector

Sector	31/03/2019	31/12/2018
Services	36,922	36,262
Commerce	3,519	5,229
Total	40,441	41,491

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c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	31/03/2019				31/12/2018			
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	53,144	-	53,144	-	-	-
A	-	-	151,791	-	151,791	(798)	149,572	(782)
B	-	202,842	490,874	-	693,716	(6,631)	682,066	(6,731)
C	21,361	35,360	-	-	56,721	(1,926)	56,078	(1,896)
D	-	34,127	-	-	34,127	(9,622)	51,027	(14,111)
Total	21,361	272,329	695,809	-	989,499	(18,977)	938,743	(23,520)

ii. By activity sector

Sector	31/03/2019	31/12/2018
Industry	989,499	938,743
Services	-	-
Total	989,499	938,743

d. Credit concentration

	31/03/2019	%	31/12/2018	%
Largest debtors				
10 largest debtors	8,071,331	38%	8,579,481	44%
20 following largest debtors	2,956,703	14%	1,720,801	9%
50 following largest debtors	3,658,657	17%	2,446,034	12%
100 following largest debtors	3,680,429	17%	2,589,165	13%
200 following largest debtors	2,304,913	11%	2,616,999	13%
500 following largest debtors	570,641	3%	1,766,345	9%
Above 500 following largest debtors	23,455	0%	117,781	1%
Total	21,266,129	100%	19,836,606	101%

e. Allowance

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

	31/03/2019	31/03/2018
Opening balances	(979,552)	(1,019,472)
Reversal/(accrual) of allowance	(41,940)	(351)
Renegotiation of credits written off to loss	6,891	(31,015)
Allowance for guarantee	(17)	(1,014)
Guarantees	(8,575)	-
Exchange rate variation	(3,719)	(280)
Credits written off as loss	105,443	5,819
Closing balances	(921,469)	(1,046,313)
Breakdown of closing balances		
Allowance for loan losses	(671,584)	(841,437)
Allowance for other receivables	(189,493)	(101,715)
Allowance for other receivables without loan characteristics (Note 10 (b))	(106)	(12,195)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(18,977)	(12,338)
Allowance for guarantes	(41,309)	(78,628)
	(921,469)	(1,046,313)

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f. Renegotiation/recovery of credits written off as loss

As at March 31, 2019, the amount of R\$303,033 were due to credit renegotiation (December 31, 2018 – R\$1,701,795). Also in the quarter ended March 31, 2019 there were R\$22,291 written off loans recovered (December 31, 2018 – R\$80,451).

11. Other receivables/obligations

a. Foreign Exchange portfolio

	31/03/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	9,964,913	23,911,026	1,946,655	15,272,557
Rights on foreign exchange sales	23,479,411	-	15,458,174	-
(-) Advances on foreign exchange contracts	14,562	(974,937)	20,697	(918,046)
(-) Advances in foreign currency received	-	-	(271)	-
(-) Advances in local currency received	-	-	-	-
Liability for foreign exchange purchase	-	10,163,014	-	2,125,514
Total	33,458,886	33,099,103	17,425,255	16,480,025
Current	33,458,886	33,099,103	17,425,255	16,480,025
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$1,014,438 (December 31, 2018 - R\$596,453).

b. Securities trading and brokerage

	31/03/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	690,044	628,385	583,022	191,879
Unsettled financial assets / liabilities	5,707	1,160,079	17	731,423
Pending settlement	5,928,558	10,503,030	2,576,317	1,077,495
Creditors for stock loans	-	26,359	-	15,431
Other securities trading and brokerage	-	-	-	-
Commissions and brokerage payable	759,615	11,737,355	717,708	3,184,599
Swap brokerage	144	-	140	-
Total	7,384,068	24,055,208	3,877,204	5,200,827
Current	7,384,068	24,055,208	3,877,204	5,200,827
Long-term	-	-	-	-

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

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

12. Other receivables

a. Income receivable

	<u>31/03/2019</u>	<u>31/12/2018</u>
Dividends and bonus	132,510	102,781
Receivables from services rendered	64,677	59,944
Rights on energy sales	168,576	104,764
Management and performance fees for investment funds and portfolio	357,871	630,119
Distribution fees	5,217	5,289
Commissions on guarantees	34,643	24,367
Total	<u>763,494</u>	<u>927,264</u>
Current	763,494	927,264
Long-term	-	-

b. Sundry

	<u>31/03/2019</u>	<u>31/12/2018</u>
Deferred tax assets - income and social contribution (note 18)	5,356,942	5,393,743
Deferred tax assets - Others	290,813	303,507
Sundry	2,018,534	1,493,016
Judicial deposits	1,643,173	1,627,949
Taxes recoverable to offset	472,936	735,333
Securities and credits receivable		
With loan characteristics (note 10 b)	40,441	41,491
Without loan characteristics	1,532,516	1,360,096
Investment properties	493,626	510,796
Salaries advances	29,881	33,830
Advance to suppliers	-	283
Other	381,339	480,408
Total	<u>12,260,201</u>	<u>11,980,452</u>
Current	851,521	505,344
Long-term	11,408,680	11,475,108

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13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities					
	Shareholders' Equity		Net income (loss)		Interest	
	31/03/2019	31/12/2018	31/03/2019	31/03/2018	31/03/2019	31/12/2018
In Brazil						
Banco Pan S.A.	4,154,082	4,095,919	96,107	34,429	41.70%	50.59%
Warehouse 1 Empreendimentos Imobiliários S.A.	28,337	27,214	1,220	667	35.00%	35.00%
Pan Seguros S.A.	482,116	470,234	11,506	17,585	51.00%	51.00%
Pan Corretora S.A.	31,303	32,256	3,319	3,063	51.00%	51.00%
Abroad						
Engelhart CTP Group S.A.	1,687,240	2,029,348	32,370	209,083	19.31%	19.03%
EFG International (i)	6,314,596	6,636,882	(109,610)	71,107	29.75%	29.75%

(i) On March 31, 2019, the equity on EFG include total return swap in the amount of CHF46,686.

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	Changes in investments							31/03/2019	Equity in earnings of associates from 31/03/2018
	31/12/2018	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investment accounting practices (iii)	Fair value adjustment (iv)	Exchange variation	Equity in earnings of subsidiaries		
In Brazil									
Banco Pan S.A.	1,954,238	(345,849)	(17,482)	-	(193)	-	43,656	1,634,370	25,191
Negative Goodwill - Banco Pan	(225,530)	141,818	-	-	-	-	-	(83,712)	-
Warehouse 1 Empreendimentos Imobiliários S.A.	8,491	1,000	-	-	-	-	427	9,918	365
Pan Corretora S.A.	16,450	-	(2,179)	-	-	-	1,693	15,964	1,564
Pan Seguros S.A.	239,816	-	-	-	192	-	5,868	245,876	8,968
Other	3,186	-	-	-	-	-	(937)	2,249	(86)
Total	1,996,651	(203,031)	(19,661)	-	(1)	-	50,707	1,824,665	36,002
Abroad									
BTG Pactual Holding S.A.R.L. (i) (ii) (iii)	3,453,429	-	(116,371)	(6,172)	(13,520)	20,052	60,077	3,397,495	-
Engelhart CTP Group S.A. (i)	386,178	(75,277)	-	(7,587)	-	2,602	19,802	325,718	40,323
EFG International (i)	1,953,128	6,045	-	-	(75,537)	(15,711)	26,454	1,894,379	(82,166)
Goodwill - EFG International (i)	1,073,201	-	-	-	-	(8,385)	(32,883)	1,031,933	(30,285)
	6,865,936	(69,232)	(116,371)	(13,759)	(89,057)	(1,442)	73,450	6,649,525	(72,128)
Total	8,862,587	(272,263)	(136,032)	(13,759)	(89,058)	(1,442)	124,157	8,474,190	(36,126)

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

(ii) See note 2.

(iii) During the quarter ended on December 31, 2018, the agreements related to the sale of the Bank's indirect equity interest in the joint venture Petrobras Oil & Gas BV through BTG Pactual E & P BV were concluded. The asset in the amount of R\$ 4,079,122 (previously in Securities) was transferred to investments in associates and jointly controlled entities, reflecting the permanent nature of the participation.

14. Intangible assets

	Changes in Intangible assets					31/03/2019
	31/12/2018	Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Intangible assets	231,936	1,415	(3,439)	(8,519)	447	221,840
Cost	497,919	1,415	(3,439)	-	1,839	497,734
Amortization	(265,983)	-	-	(8,519)	(1,392)	(275,894)
Total	231,936	1,415	(3,439)	(8,519)	447	221,840

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	31/03/2019					31/12/2018	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	19,973,307	9,032,153	9,110,403	1,713,286	35,006	82,459	20,950,087
Open market funding	70,250,421	61,285,334	1,184,294	7,595,285	71,351	114,157	35,574,986
Funds from securities issued and accepted	14,845,779	913,716	3,127,187	7,194,261	2,848,430	762,185	14,396,303
Loans and borrowings	5,341,776	1,563,359	462,376	392,621	329,386	2,594,034	4,969,610
Subordinated debts and subordinated debt eligible to equity	11,280,271	687,814	687,816	2,089,859	1,547,763	6,267,019	8,845,685
Total	121,691,554	73,482,376	14,572,076	18,985,312	4,831,936	9,819,854	84,736,671

b. Deposits

	31/03/2019					31/12/2018	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	406,038	406,038	-	-	-	-	287,303
Interbank deposits	451,604	200,674	159,634	9,015	-	82,281	378,410
Time deposits	19,115,665	8,425,441	8,950,769	1,704,271	35,006	178	20,284,374
Total	19,973,307	9,032,153	9,110,403	1,713,286	35,006	82,459	20,950,087

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c. Open market funding

Open market funding has collateral on the following securities:

	31/03/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	25,622,243	25,258,762	363,481	-	-	-	6,279,037
Federal government bonds	3,072,251	3,072,251	-	-	-	-	4,416,717
Corporate securities	642,475	338,797	303,678	-	-	-	956,632
Foreign securities	-	-	-	-	-	-	409,313
Foreign government bonds	21,907,517	21,847,714	59,803	-	-	-	496,375
Third-party portfolio	31,947,021	31,371,306	471,534	32,830	71,351	-	22,224,352
Federal government bonds	23,860,314	23,860,314	-	-	-	-	20,172,962
Corporate bonds	8,028,905	7,453,190	471,534	32,830	71,351	-	655,281
Foreign securities	-	-	-	-	-	-	1,396,109
Foreign government bonds	57,802	57,802	-	-	-	-	-
Unrestricted portfolio (i)	12,681,157	4,655,266	349,279	7,562,455	-	114,157	7,071,597
Federal government bonds	2,828,687	2,366,996	347,534	-	-	114,157	7,044,343
Corporate bonds	2,134,347	2,132,602	1,745	-	-	-	-
Foreign securities	-	-	-	-	-	-	8,230
Foreign government bonds	7,718,123	155,668	-	7,562,455	-	-	19,024
Total	70,250,421	61,285,334	1,184,294	7,595,285	71,351	114,157	35,574,986

(i) From the unrestricted portfolio, R\$12,380,793 (December 31, 2018 – R\$6,717,493) refers to short position and R\$300,364 (December 31, 2018 – R\$354,104) to third-party portfolio.

d. Funds from securities issued and accepted

	31/03/2019						31/12/2018
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	10,155,484	898,178	1,450,055	5,137,960	2,648,651	20,640	9,583,995
Financial bills	6,648,893	480,595	759,000	2,810,412	2,578,584	20,302	6,338,228
Mortgage bonds/letters of credit for agribusiness	3,325,623	409,777	618,559	2,230,980	66,307	-	3,067,898
Certificates of structured transactions	180,968	7,806	72,496	96,568	3,760	338	177,869
Securities – abroad	4,690,295	15,538	1,677,132	2,056,301	199,779	741,545	4,812,308
Medium term notes	4,305,073	-	1,524,179	1,978,279	193,104	609,511	4,470,214
Fixed rate notes and others	385,222	15,538	152,953	78,022	6,675	132,034	342,094
Total	14,845,779	913,716	3,127,187	7,194,261	2,848,430	762,185	14,396,303

As at March 31, 2019, securities in Brazil were basically indexed o interest referenced rates (CDI) between 82% and 114% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a. (December 31, 2018 – indexed to (CDI) between 82% and 115% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.1% p.a.).

On March 31, 2019, securities abroad have rates between 2.4% p.a. and 7.03% p.a. (December 31, 2018 – between 2.4% p.a. and 13.6% p.a.).

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e. Loans and onlending

	31/03/2019					31/12/2018	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	2,530,633	1,545,818	385,675	191,824	154,014	253,302	2,182,435
Foreign currency	770,731	39,218	385,675	191,824	154,014	-	787,897
Loans abroad	1,759,902	1,506,600	-	-	-	253,302	1,394,538
Borrowings in Brazil	2,811,143	17,541	76,701	200,797	175,372	2,340,732	2,787,175
FINAME/BNDES	2,811,143	17,541	76,701	200,797	175,372	2,340,732	2,787,175
Total	5,341,776	1,563,359	462,376	392,621	329,386	2,594,034	4,969,610

On March 31, 2019, securities abroad have rates between 0.5% p.a. and 9.23% p.a. (December 31, 2018 – between 0.50% p.a. and 9.23% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	Issued amount (original currency)	31/03/2019			31/12/2018	
		Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	3,462,353	3,701,867
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,553,905	1,564,289
Subordinated debt - CLP	391,410	01/01/2019	01/11/2028	2.40%	403,241	-
Subordinated debt eligible to equity - US\$	1,300,000	18/09/2014	September 2019	8.75%	3,500,102	3,579,529
Subordinated debt eligible to equity - US\$	600,000	15/02/2019	15/02/2029	7.75%	2,360,670	-
Total					11,280,271	8,845,685

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) On February 12, 2019, the Bank reported its shareholders and the market, the issuance of Subordinated Notes, issued through Cayman Islands branch, in the amount of US\$600,000 at a fixed coupon of 7.750% per year, with a maturity date of February 15, 2019, and callable in five years. Subject to regulatory approval.

16. Other obligations

a. Social and statutory

	31/03/2019	31/12/2018
Dividends and profit sharing payable	109,678	607,971
Employees' profit sharing	125,923	623,319
Total	235,601	1,231,290
Current	235,601	1,231,290
Long term	-	-

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b. Tax and social security

	<u>31/03/2019</u>	<u>31/12/2018</u>
Tax and contributions to be collected	74,925	101,386
Tax and contribution payable	305,554	613,749
Deferred social contribution and income tax (Note 18)	84,059	78,613
Deferred PIS and COFINS	1,041	858
Total	<u>465,579</u>	<u>794,606</u>
Current	355,011	485,211
Long term	110,568	309,395

c. Sundry

	<u>31/03/2019</u>	<u>31/12/2018</u>
Payable for acquisition of assets and rights (i)	1,032,547	1,015,630
Accounts payable - personnel	164,472	327,064
Provision for contingent liabilities	1,653,956	1,648,713
Other creditors - Brazil	4,686,543	3,943,926
Other creditors - Abroad	48,467	20,937
Allowance for guarantees	203,973	212,268
Obligations related to transferred loans	72,863	6,318
Other	11,768	13,678
Total	<u>7,874,589</u>	<u>7,188,534</u>
Current	1,836,369	1,122,908
Long term	6,038,220	6,065,626

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

17. Contingent assets and liabilities and legal obligations

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

a. Contingent assets

As at March 31, 2019 and December 31, 2018, the Bank did not record contingent assets.

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b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

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

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at March 31, 2019 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the quarter ended March 31:

	31/03/2019			31/03/2018	
	Tax	Civil	Labor	Total	
Balance at the beginning of the quarter	1,472,178	125,611	50,924	1,648,713	2,053,233
Recognition	16,893	6,040	1,245	24,178	50,636
Write-off	(1,916)	(17,019)	-	(18,935)	(288,392)
Balance at the end of the quarter	<u>1,487,155</u>	<u>114,632</u>	<u>52,169</u>	<u>1,653,956</u>	<u>1,815,477</u>
Other contingencies and Provision for contingent liabilities (Note 16 (c))				1,653,956	1,815,477

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The nature of the main provisions is presented below:

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

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

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

As at March 31, 2019, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$608 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\$26 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- On December 2015, the Bank received tax assessment in the amount of R\$2,040 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. A defense was filed against this tax assessment, which is awaiting decision of the Administrative Council of Tax Appeals. In addition, on December 2017, the Bank received other tax assessment in the amount of R\$845 million, which refers to 2012, which was considered undue the goodwill originated on the Bank acquisition by UBS, on 2006, the goodwill originated the repurchase byh the Bank on 2009 and the goodwill originated in the private subscription of shares made by investors through the copa Prince in 2011. A defense was filed against this assessment, pending a second administrative decision. In December 2018, the Bank received a tax assessment in the amount of R\$423 million, related to the period of 2013. A defense was filed against this assessment pending a decision of the first administrative instance. 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.

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- The Holding Internacional S.A. received a tax assessment of income tax paid abroad, and compensated in Brazil on 2012 in the total amount of R\$153 millions. Against the booking, Holding presented an administrative appeal, which awaits trial in first instance. On June 2018, Holding Internacional was notified of the result of the diligence in first instance that recognized partial compensation of foreign earnings in the amount of R\$43 million. In December 2018, the first administrative instance judged the appeal of the Holding Internacional unfavorable. Against this decision, an appeal was filed to the second administrative 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\$186 millions. Against the booking, administrative appeal was presented, which awaits trial in second 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\$74 millions. Against the booking, administrative appeal was presented, which awaits trial in second 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\$1.065 millions. Against the booking, administrative appeal was presented, which awaits trial in second instance.
- In December 2018, the Asset Manager received a tax assessment in total amount of R\$92 million for the years 2013 and 2014, regarding the amortized goodwill generated in the acquisition of BRFE in 2012. The administrative appeal was filed against the assessment, which is awaiting trial.
- In December 2018, the Bank was aware of the non-homologation of the negative balance of IRPJ, related to 2013, in the amount of R\$69 million. An administrative appeal was lodged against the decision.

ii. Provision for other contingent liabilities

As at the quarter ended March 31, 2019 and December 31, 2018, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

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18. Income tax and social contribution

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

	31/03/2019	31/03/2018
Income tax and social contribution		
Tax base	789,671	759,489
Income before taxes and profit sharing	955,886	883,573
Statutory profit sharing	(166,226)	(124,437)
Interest on equity	11	353
Total charge of income tax and social contribution at the current rates	(314,798)	(317,036)
Permanent (additions) / deductions in taxation calculation	25,581	23,344
Equity pick up in associated and jointly controlled companies in Brazil	(40,118)	150,123
Income/(loss) of foreign exchange on foreign investments	38,304	-
Dividends	643	2,267
Other Permanent (additions) / deductions	26,752	(129,046)
Temporary (additions) / deductions on the taxation calculation	468,239	512,943
Interest on equity	241,800	274,039
Fair value of securities and derivatives	86,492	143,580
Allowance for loan losses	(12,767)	(18,557)
Loss on investment abroad	84,766	-
Tax contingencies and provision for suspended-payment taxes	566	(250)
Other provisions	67,382	114,131
Recognition of tax losses carry forward - Brazil	(269,402)	(415,755)
Tax and social contribution expense	(90,380)	(196,504)
Temporary differences		
Recognition / (reversal) of the quarter	(471,421)	(518,223)
Interest on equity	120,000	-
Recognition / (reversal) of tax losses carry forward	269,417	408,793
Recognition / (reversal) of loss on investment abroad	49,286	34,158
Other temporary differences	3,491	116,003
Expenses from deferred taxes	(29,227)	40,731
Total revenues / (expenses)	(119,607)	(155,773)

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

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

	31/12/2018	Recognition	Realization (i)	31/03/2019
Income tax and social contribution				
Tax loss	1,488,833	318,703	(65,304)	1,742,232
Interest on equity	241,800	120,000	(241,800)	120,000
Allowance for loan losses	669,902	22,157	-	692,059
Fair value of securities and derivatives	2,490,288	-	(104,151)	2,386,137
Tax contingencies and provision for suspended-payment taxes	213,633	354	-	213,987
Other temporary differences	289,287	-	(86,760)	202,527
Total	5,393,743	461,214	(498,015)	5,356,942
Income tax and social contribution				
Tax loss carryforwards	977,349	471,252	-	1,448,601
Interest on equity	269,968	-	(134,968)	135,000
Allowance for loan losses	618,922	15,253	-	634,175
Fair value of securities and derivatives	1,931,453	-	(232,630)	1,698,823
Tax contingencies and provision for suspended-payment taxes	186,124	-	250	186,374
Other temporary differences	427,642	14,118	(131,492)	310,268
Total	4,411,458	500,623	(498,840)	4,413,241

(i) On March 31, 2019, the amount of R\$87,949 (December 31, 2018 – R\$293,979), refers to recovery paid taxes from investments abroad.

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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
2019	924,690	479,874	1,404,564
2020	689,302	214,734	904,036
2021	667,172	226,334	893,506
2022	685,016	189,586	874,602
2023 onwards	648,529	631,705	1,280,234
Total	3,614,709	1,742,233	5,356,942
Present value	2,886,371	1,329,702	4,216,073

Deferred income tax and social contribution liabilities amounts to R\$84,059 (December 31, 2018 - R\$86,151), according to note 16(b).

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

19. Shareholders equity

a. Capital

As at March 31, 2019, fully subscribed and paid in capital consists of 2,637,236,572 shares (December 31, 2018 – 2,637,236,572), of which 1,731,276,922 common shares (December 31, 2018 – 1,731,276,922), 456,603,310 class A preferred shares (December 31, 2018 – 456,603,310), 449,356,340 class B preferred shares (December 31, 2018 – 449,356,340), registered shares.

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

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

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

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

b. Treasury shares

During the quarter ended March 31, 2019, the Bank does not bought own units (December 31, 2018 - R\$328,085, equivalent to 15,919,600 units. On the quarter ended March 31, 2019 the were no units cancelled (December 31, 2018 - R\$292,604, equivalent to 14,788,400 units cancelled). On March 31, 2019, 6,358,800 units were held in treasury, in the amount of R\$128,544.

c. Legal reserve

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

d. Statutory reserve

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

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

f. Profit distribution

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

As at December 27, 2018 the Bank has accrued R\$604,500, relating to interest on equity, equivalent to R\$0.23 per share, which generated R\$241,800 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 27, 2018.

As at August 7, 2018 the Bank has accrued R\$592,500, relating to interest on equity, equivalent to R\$0.22 per share, which generated R\$266,625 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 7, 2018, and the payment occurred on August 22, 2018.

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g. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income	
	31/03/2019	31/12/2018	31/03/2019	31/03/2018
Banco BTG Pactual S.A.	19,394,625	18,790,469	618,848	477,551
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A.(i)	54,465	54,465	-	-
Others (ii)	-	-	56,125	122,807
Banco BTG Pactual S.A. Consolidated	19,449,090	18,844,934	674,973	600,358

(i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.

(ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

20. Income from services rendered

	31/03/2019	31/03/2018
Management and performance fee from investment funds and portfolios	213,598	159,245
Professional services	219,178	127,155
Brokerage	70,861	60,547
Guarantees	62,182	55,638
Commission over securities placement	66,801	44,573
Other services	1,231	1,775
Total	633,851	448,933

21. Other operating income

	31/03/2019	31/03/2018
Adjustment of amounts receivable for acquisition of investments	10,995	50,522
Foreign exchange rate gains	47,891	44,813
Reversal of provision - contingencies	17,682	27,299
Monetary correction over judicial deposits	15,507	19,333
Recovery of charges and expenses	1,733	181
Reversal of provision - other	7,705	1,419
Other operating income	9,821	1,392
Total	111,334	144,959

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22. Other operating expenses

	<u>31/03/2019</u>	<u>31/03/2018</u>
Tax restatement expense	14,778	21,629
Foreign exchange rate losses	50,676	45,647
Allowance for other receivables without loan characteristics	6,823	77,774
Adjustment of amounts payable for acquisition of investments (i)	16,914	18,569
Allowance for guarantee	17	1,014
Discounts granted in credit renegotiation	25	209
Other	9,296	23,005
Total	<u>98,529</u>	<u>187,847</u>

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

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

23. Other administrative expenses

	<u>31/03/2019</u>	<u>31/03/2018</u>
Outsourced services and consulting	94,969	99,277
Telecommunications and data processing	76,904	55,315
Leases and condominiums	22,696	23,013
Expenses of the financial system	45,210	37,597
Advertising and public relations	17,887	15,320
Depreciation and amortization	13,786	14,343
Travel and lodging	10,141	-
Other	10,770	42,621
Total	<u>292,363</u>	<u>287,486</u>

24. Related parties

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

	<u>Parent company (i)</u>		<u>Subsidiaries and joint controlled entities</u>		<u>Total</u>	
	<u>31/03/2019</u>	<u>31/03/2018</u>	<u>31/03/2019</u>	<u>31/03/2018</u>	<u>31/03/2019</u>	<u>31/03/2018</u>
Assets						
Open market investments	-	-	-	-	-	-
Interbank investments deposits	-	-	201,874	136,601	201,874	136,601
Securities	-	-	-	-	-	-
Derivative financial instruments	-	-	8,086	8,782	8,086	8,782
Loans and Receivables	3,533,385	3,167,665	-	-	3,533,385	3,167,665
Sundry	-	-	-	-	-	-
Liabilities						
Time deposits	(148,930)	(32,251)	-	-	(148,930)	(32,251)
Derivative financial instruments	-	-	(159,690)	(77,959)	(159,690)	(77,959)
Securities issued abroad	-	-	-	(30,158)	-	(30,158)
Sundry	-	-	(8,086)	(8,782)	(8,086)	(8,782)

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	Parent company		Subsidiaries and joint controlled entities		Total	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018	31/03/2019	31/03/2018
Statements of income						
Financial income	-	773	4,515	77,430	4,515	78,203
Financial expenses	(871)	-	(2,627)	(2,809)	(3,498)	(2,809)
Other operating income / (expenses)	-	(20,449)	-	638	-	(19,811)

(i) Includes natural person.

Total compensation paid to key management personnel totaling this period R\$3,690 (December 31, 2018 – R\$15,566) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

	31/12/2018	31/12/2017
Balances at beginning of the quarter		
Cash and cash equivalents	979,185	4,347,209
Open market investments	23,075,514	17,683,903
Interbank deposits	2,604,551	1,169,893
Total	26,659,250	23,201,005
Balances of end of the quarter		
Cash and cash equivalents	1,224,324	7,293,132
Open market investments	42,872,510	26,643,003
Interbank deposits	1,944,262	1,180,092
Total	46,041,096	35,116,227

b. Commitments and responsibilities

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

	31/03/2019	31/12/2018
Co-obligation and risks for guarantees granted	72,175,300	36,834,176
Responsibility for the management of futures and investment portfolio (i)	237,696,620	224,021,170
Securities	171,762,834	41,286,789
Securities under custody	1,156,048,349	2,697,667,631
Securities trading and brokerage	1,948,698,643	1,009,734,796
Loans contract to release	644,553	2,413,612
Commitments to be released	35,600	37,500

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

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

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

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

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

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