

Financial Statements

BTG Pactual Serviços Financeiros S.A.
Distribuidora de Títulos e Valores Mobiliários

June 30th, 2019

With independent auditors' report

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Financial Statements

As at June 30th, 2019

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders and Management of
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários
Rio de Janeiro – RJ

Opinion

We have audited the financial statements of BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários ("Dealer"), which comprise the balance sheet as at June 30, 2019, and the related statements of income, changes in shareholders' equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários as of June 30, 2019 and its financial performance and cash flows for the six-month period then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion

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

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

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



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

Those charged with governance of the Dealer's are responsible for overseeing financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Dealer's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Dealer to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

São Paulo, August 28, 2019.

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

A handwritten signature in blue ink, reading 'Renata Zanotta Calçada'.

Renata Zanotta Calçada
Partner

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Balance sheets

As at June 30th, 2019

(In thousands of reais)

	Note	30/06/2019	30/06/2018
Assets			
Current Assets		310,574	102,319
Cash at banks	5	539	348
Interbank investments	6	83,883	54,444
Interbank deposits		83,883	54,444
Other receivables		226,149	47,521
Income receivable	8a	225,553	44,270
Sundry	8b	981	3,251
Allowance for losses on other receivables		(385)	-
Other assets		3	6
Prepaid expenses		3	6
Long-term-assets		22,341	18,929
Other receivables		22,341	18,929
Sundry	8b	22,341	18,929
Permanent assets		-	-
Investments		-	-
Other investments		186	186
Allowance for losses		(186)	(186)
Total assets		332,915	121,248

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

BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários

Balance sheets

As at June 30th, 2019

(In thousands of reais)

	Note	30/06/2019	30/06/2018
Liabilities			
Current liabilities		253,398	55,753
Other liabilities		253,398	55,753
Collection and payments of tax and similar charges		384	457
Social and statutory	9a	6,577	3,026
Tax and social security	9b	9,290	7,931
Sundry	9c	237,147	44,339
Long-term liabilities		8,788	8,446
Other liabilities		8,788	8,446
Tax and social security	9c	8,788	8,446
Shareholders' equity	12	70,729	57,049
Capital		32,062	32,062
Income reserves		27,304	19,145
Retained earnings		11,363	5,842
Total liabilities and shareholders' equity		332,915	121,248

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

BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários

Statements of income

Semesters ended on June 30th

(In thousands of reais, except for earnings per thousand of shares)

	Note	30/06/2019	30/06/2018
Financial income		2,645	1,849
Securities		2,645	1,849
Gross financial income		2,645	1,849
Other operating income / (expenses)		21,445	11,176
Income from services rendered	13	55,605	39,482
Personnel expenses	18	(17,754)	(16,026)
Other administrative expenses	16	(12,748)	(9,808)
Tax charges	17	(3,954)	(2,637)
Other operating income	14	723	1,042
Other operating expenses	15	(427)	(877)
Operating income		24,090	13,025
Non-operating (expenses) / income		-	(50)
Income before taxation and profit sharing		24,090	12,975
Income tax and social contribution	11	(7,000)	(4,596)
Provision for income tax		(5,924)	(3,282)
Provision for social contribution		(3,663)	(2,764)
Deferred income tax and social contribution		2,587	1,450
Statutory profit sharing		(5,727)	(2,537)
Net income for the semester		11,363	5,842
Weighted average of shares at the end of the semester	19	1,019	1,019
Net income per thousand of shares - R\$ - basic and diluted	19	11.15	5.73

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

BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários

Statements of changes in shareholders' equity

Semesters ended on June 30th

(In thousands of reais)

	Capital	Income reserves			Retained Earnings	Total
		Legal	Statutory	Total		
Balances as at December 31st, 2017	32,062	6,412	12,800	19,212	-	51,274
Net income for the semester	-	-	-	-	5,842	5,842
Previous year adjustments			(67)	(67)	-	(67)
Balances as at June 30th, 2018	32,062	6,412	12,733	19,145	5,842	57,049
Balances as at December 31st, 2018	32,062	6,412	20,892	27,304	-	59,366
Net income for the semester	-	-	-	-	11,363	11,363
Balances as at June 30th, 2019	32,062	6,412	20,892	27,304	11,363	70,729

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

BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários

Statements of cash flows

Semester ended on June 30th

(In thousands of reais)

	<u>Note</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
Operating activities			
Net income for the semester		11,363	5,842
Non-Cash adjustment to net income		<u>(86)</u>	<u>(49)</u>
Provision for losses		-	50
Monetary correction and foreign exchange		(333)	(948)
Provision for tax, civil and labor contingencies	15	247	849
Adjusted net income for the semester		<u>11,277</u>	<u>5,793</u>
Increase / (decrease) in operating assets and liabilities			
Short-term interbank investments		(7,921)	(1,720)
Other receivables and other assets		15,625	102,348
Other liabilities		(15,353)	(109,291)
Cash provided by / (used in) operating activities		<u>3,628</u>	<u>(2,870)</u>
Investing activities			
Asset's disposal		-	42
Cash provided by investing activities		<u>-</u>	<u>42</u>
Financing activities			
Interest on equity		(3,442)	-
Cash used in financing activities		(3,442)	-
Increase / (Decrease) in cash and cash equivalents		<u>186</u>	<u>(2,828)</u>
Balance of cash and cash equivalents			
At the beginning of the semester		353	3,176
At the end of the semester		539	348
Increase / (Decrease) in cash and cash equivalents		<u>186</u>	<u>(2,828)</u>

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

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

1. Operations

BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários ("Dealer") is engaged in establishing, organizing and managing investment funds and investment clubs, in addition to carrying out marketable securities transactions, including their trading, subscription, purchase, sale and custody as well as other activities authorized to security dealers, according to applicable ruling legislation.

The Dealer focuses its activities on fiduciary administration of investment funds.

The operations are conducted in the context of a group of companies that operate in the financial market and operate through the integrated corporate structure of the BTG Pactual S.A. group ("Group"), where revenues and expenses are appropriated as produced or incurred.

The Dealer's financial statements must be read jointly with its parent company's, Banco BTG Pactual, ("Bank"), issued on August 12th, 2019.

The Management approved the Dealer's financial statements on August 28th, 2019.

2. Presentation of the financial statements

The financial statements of the Dealer were prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil ("BACEN").

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank, requires that management use appropriate judgment to determine and record accounting estimates. The assets and liabilities subject to these estimates and assumptions refer to provision for the suspended collection of taxes and contributions and the provision for contingent liabilities and fair value of financial assets. Actual results may significantly differ from these estimates due to the underlying inaccuracy of the determination process. The Dealer reviews these estimates and assumptions on a regular basis.

Management has assessed the Dealer's ability to continue operating normally and is satisfied with the that the Dealer has the resources to continue its business in the future. In addition, the Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, the financial statements have been prepared based on this principle.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

Functional currency

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

3. Main accounting practices

The most significant accounting practices adopted by the Dealer are the following:

a. Cash and cash equivalents

For the purposes of statements of cash flow, 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

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. Allowance for doubtful accounts

Management considers the following aspects for the constitution of allowance for doubtful accounts on part of the asset:

- Management conducts studies to determine the average time for administration fees considering the payment history, the nature of the fund and their respective liquidity. Accordingly, the Dealer realizes a provision for other receivables, based on the non-occurrence of payment flows according to the average of the portfolio.
- Funds with the highest liquidity are those that are classified as Multimarket Funds, Stock Funds and Fixed Income Funds.
- Funds with low liquidity, therefore, with longer repayment terms are the Participation Funds, Real Estate Funds and Credit Rights Investment Funds.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

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(In thousands of reais, except otherwise indicated)

d. Investments

The investments in permanent assets are accounted for at cost, less allowance for losses, when applicable.

e. Impairment

Recognized as loss, in the results for the period, if clear evidence indicates that assets are valued at an unrecoverable amount. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are reduced to their recoverable amount, when applicable, which is the greater of the asset's value in use or fair value less costs to sell. The main estimates used in determining the recoverable amount are: the expectation of future cash flows, discount rates, and illiquidity, among others.

f. Income tax and social contribution

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

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

Recognized according to the criteria described below:

i. Contingent assets

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

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and Management, the risk of loss in a legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. 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 or disclosure.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

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(In thousands of reais, except otherwise indicated)

iii. Legal liabilities – 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.

h. Earnings per share

Calculated based on the weighted average number of shares outstanding during the periods.

i. Revenues and expenses recognition

Revenues and expenses are recorded under the accrual basis.

j. Apportionment of costs

The BTG Pactual group adopts criteria for apportioning costs and administrative expenses that impact the Dealer.

4. 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.

The BTG Pactual Group 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.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

5. Cash at banks

Cash at banks refers basically to deposits in prime Banks., in the amount of R\$539 (June 30th, 2018 – R\$348).

6. Short-term interbank Investments

Short-term interbank investments refer basically to interbank deposit certificate issued by Banco BTG Pactual S.A.

	30/06/2019		30/06/2018
	Total	90 to 365 days	Total
Interbank investments			
Interbank deposit certificates	83,883	83,883	54,444
Total	83,883	83,883	54,444

7. Derivative financial instruments

For the semesters ended on June 30th, 2019 and 2018, the Dealer did not enter into any transactions with derivatives and did not have any outstanding positions.

8. Other Receivables

a. Income receivables

	30/06/2019		30/06/2018
Administration fee	51,014		38,925
Performance fees	174,539		5,345
Total	225,553		44,270
Current	225,553		44,270
Long term	-		-

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

b. Sundry

	<u>30/06/2019</u>	<u>30/06/2018</u>
Advances on wages	34	41
Deferred tax assets (Note 11)	3,919	4,361
Judicial deposits	-	-
COFINS - suspended payment	6,293	6,075
PIS - suspended payment	540	523
IR - suspended payment	5,292	5,114
ISS - suspended payment	7	408
Labor resources interposition	619	454
Others	8	363
Taxes to offset	4,799	1,919
Sundry debtors - Brazil	1,424	2,922
Other	387	-
Total	<u>23,322</u>	<u>22,180</u>
Current	981	3,251
Long term	22341	18,929

9. Other liabilities

a. Social and statutory

	<u>30/06/2019</u>	<u>30/06/2018</u>
Dividends and employee's profit sharing	5,727	2,501
Bonus and employee's profit sharing	850	525
Total	<u>6,577</u>	<u>3,026</u>
Current	6,577	3,026
Long term	-	-

b. Tax and social security

	<u>30/06/2019</u>	<u>30/06/2018</u>
Tax and contributions to be collected	2,836	2,699
Tax and contributions payable	6,454	3,585
Deferred income tax and social contribution	-	1,647
Total	<u>9,290</u>	<u>7,931</u>
Current	9,290	7,931
Long-term	-	-

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

c. Sundry

	<u>30/06/2019</u>	<u>30/06/2018</u>
Personnel expenses	1,333	1,393
Administration fee pass	165,967	23,192
Sundry creditors - Brazil (i)	69,643	19,571
Provision for contingent liabilities (Note 10b)	8,992	8,629
Total	<u>245,935</u>	<u>52,785</u>
Current	237,147	44,339
Long-term	8,788	8,446

(i) The balance of the caption refers basically to amounts payable to related companies, which major refers to management fees from portfolio and apportionment.

10. Contingent assets and liabilities and legal obligation - Tax and social security liabilities

The Dealer's management evaluates existing contingencies in connection with judicial proceedings filed against the company and recognize a provision to cover probable losses on such proceedings. Management's judgment takes into consideration the opinion of its internal and external legal advisors in relation to expected outcome of each such proceeding.

a. Contingent Assets

As at June 30th, 2019 and 2018, the Dealer did not record any contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

I. Tax and social security provisions

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

The Dealer is a part of lawsuits involving tax matters, on which judicial deposits have been made in connection with these proceedings, which are provisioned.

Management based on information from its legal advisors and analysis of pending legal claims, recorded a provision in an amount considered enough to cover the estimated losses on the cases classified as probable loss risk.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

II. Composition and changes in provisions in the year

The Dealer's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to be a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings on June 30th, 2019 and 2018 are appropriate to cover probable losses arising therefrom.

The provisions recognized, and their changes are as follows:

	30/06/2019			30/06/2018
	Labor	Tax	Total	Total
Balance at the beginning of the semester	1,604	7,141	8,745	7,667
Recognition / adjustment	74	173	247	962
Balance at the end of the semester (i)	1,678	7,314	8,992	8,629
(i) Provision for taxes and other taxes contingencies (Note 9c)			8,992	8,629

As at June 30th, 2019, the Dealer was party to a tax and civil lawsuit with a possible outcome that was not provisioned for. Below is a description of the lawsuit:

- Cases in which discusses the validity of offsets with the CSLL tax credits, income tax, withholding tax to pay off debts of social contribution, income tax and withholding tax. The amount involved in these cases is R\$29 million (June 30th, 2018 – R\$28 million). Most of these debts has suspended collection due to a court filing made in an action for annulment of debts. Some of that account as collateral for the indemnification clause as it relates to the Company prior to the acquisition by the current controlling period.
- Proceedings regarding the payment of the profit-sharing plan (PLR), to which is being discussed the non-deductibility of the social security contribution off the Social Security and Income Tax base. The amount involved is R\$9 million (June 30th, 2018 – R\$3 million). Part of the proceeding's value is held as a form of collateral for compensation, given that it refers to a year prior to the acquisition of Banco BTG Pactual S.A. by its current shareholders.

11. Income tax and social contribution

The deferred income tax and social contribution are constituted and recorded in accordance with criteria defined by the CMN Resolution nº 3,059/02 and the subsequent rules, considering the realization period.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

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:

	<u>30/06/2019</u>	<u>30/06/2018</u>
Tax base	18,363	10,438
Income before taxes and profit sharing	24,090	12,975
Statutory profit sharing	(5,727)	(2,537)
Total charge of income tax and social contribution at the current rates	(7,345)	(4,697)
Permanent deductions / (additions) in taxation calculation	118	101
Other permanent deductions / (additions)	118	101
Temporary (additions) / deductions on the taxation calculation	(2,360)	(1,450)
Allowance for loan losses	46	-
Tax contingencies and provision for suspended-payment taxes	13	-
Other provisions	(2,419)	(1,450)
Income tax and social contribution expense	<u>(9,587)</u>	<u>(6,046)</u>
Revenue from deferred taxes assets	<u>2,587</u>	<u>1,450</u>
Total expenses	<u>(7,000)</u>	<u>(4,596)</u>

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3,059/02, taking into account the period of realization.

Deferred tax assets, shown in “Other Receivables – Sundry” (Note 8b), are as follows:

<u>Income tax and social contribution</u>	<u>Tax credits on temporary differences</u>	<u>Total</u>
2019	-	-
2020	224	224
2021	224	224
2022	224	224
From 2023 onwards	3,247	3,247
	<u>3,919</u>	<u>3,919</u>
Present value	<u>2,951</u>	<u>2,951</u>

On May 21st, 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 1st, 2015, onwards. On October 7th, 2015, the Law 13.169 was published, which reduced the rate from 20% to 15% from 2019 onwards.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

12. Shareholders' equity

a. Capital

As at June 30th, 2019 and 2018, share capital, fully subscribed and paid is R\$32,062 represented by 1,019,285 common shares, all registered and without par value.

b. Legal Reserve

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

c. Statutory Reserve

According to the by-laws, the purpose of this reserve is to maintain working capital and is limited to the balance of the capital. Any excess in this reserve will be allocated until the annual general meeting.

d. Profit distribution

Shareholders are entitled to annual dividends of at least 25% of net income, adjusted in accordance with article 202 of Law No. 6404/76. Interest on equity capital when approved and paid is appropriated as minimum dividend portion.

13. Income from services rendered

As at June 30th, 2019, the balance of this account refers to the administration fee from investment funds, totaling R\$55,605 (June 30th, 2018 – R\$39,482).

14. Other operating income

	<u>30/06/2019</u>	<u>30/06/2018</u>
Reversal of provision - other receivables	116	-
Reversal of provision - other	83	-
Adjustment to inflation of deposits related contingencies	203	162
Changes in foreign exchange rates	310	785
Other operating income	11	95
Total	<u>723</u>	<u>1,042</u>

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Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

15. Other operating expenses

	<u>30/06/2019</u>	<u>30/06/2018</u>
Provision for contingencies	247	849
Changes in foreign exchange rates	180	-
Others	-	28
Total	<u>427</u>	<u>877</u>

16. Other administrative expenses

	<u>30/06/2019</u>	<u>30/06/2018</u>
Outsourced services and consulting (i)	2,155	2,256
Telecommunications and data processing (i)	5,337	3,398
Leases and condominiums (i)	1,401	1,287
Travel and Lodging (i)	606	607
Expenses of the financial system (i)	840	339
Advertising and public relations (i)	938	498
Depreciation and amortization (i)	688	759
Others (i)	783	664
Total	<u>12,748</u>	<u>9,808</u>

(i) The BTG Pactual Group adopted a cost-sharing and administrative-expense criterion, which impacted the Dealer.

17. Tax charges

	<u>30/06/2019</u>	<u>30/06/2018</u>
CVM's inspection fee	373	11
ISS	1,083	730
COFINS	2,020	1,243
PIS	328	444
Others	150	209
Total	<u>3,954</u>	<u>2,637</u>

18. Personnel expenses

As at June 30th, 2019 and 2018, the account balance basically refers to the payment of employees and their social charges.

19. Earnings per share

	<u>30/06/2019</u>	<u>30/06/2018</u>
Net Income for the semester	11,363	5,842
Weighted average of shares at the end of the semester (per thousand of shares)	1,019	1,019
Net earnings per thousand of shares – basic and diluted (in reais)	<u>11.15</u>	<u>5.73</u>

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

20. Related Parties

Operations balances with related parties, which are carried at arm's length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries		Total	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Assets						
Cash at banks	534	348	-	-	534	348
Interbank deposits investments	83,833	54,444	-	-	83,833	54,444
Other receivables - Sundry	-	62	117	2,160	117	2,222
Total assets	84,367	54,854	117	2,160	84,484	57,014
Liabilities						
Other liabilities - Sundry	16,117	12,562	53,506	6,619	69,623	19,181
Total liabilities	16,117	12,562	53,506	6,619	69,623	19,181
Revenues/Expenses						
Financial income	2,645	1,849	-	-	2,645	1,849
Statements of income	2,645	1,849	-	-	2,645	1,849

(i) BTG Pactual S.A.

There was no compensation paid to key management personnel for the semesters ended on June 30th, 2019 and 2018.

21. Operating limits

Except for the minimum shareholders' equity and capital limits required, the Dealer opted for calculating its operating limits on a consolidated basis considering BTG Pactual Financial Conglomerate, which the lead institution is Banco BTG Pactual S.A.

As at June 30th, 2019 and 2018, all operating limits are duly met.

BTG PACTUAL SERVIÇOS FINANCEIROS S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

Notes to the financial statements

As of June 30th, 2019

(In thousands of reais, except otherwise indicated)

22. Other information

a. Cash and cash equivalents

	<u>31/12/2018</u>	<u>31/12/2017</u>
Balances at the beginning of the semester		
Cash at banks	353	3,176
Total	<u><u>353</u></u>	<u><u>3,176</u></u>
	<u>30/06/2019</u>	<u>30/06/2018</u>
Balances at the end of the semester		
Cash at banks	539	348
Total	<u><u>539</u></u>	<u><u>348</u></u>

b. Commitments and responsibilities

The Dealer is primarily responsible for managing investment funds and portfolios recorded at the net book equity value of R\$157,268,857 (June 30th, 2018 - R\$136,643,491).