

## **Financial Statements**

### **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

June 30<sup>th</sup>, 2019

With Independent Auditors' Report

# **BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS**

Financial Statements

June 30<sup>th</sup>, 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.**

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Shareholders and Management of  
**BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**  
Rio de Janeiro - RJ

### **Opinion**

We have audited the financial statements of BTG Pactual Asset Management 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 semester 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 the BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários as of June 30, 2019 and its financial performance and its cash flows for the semester 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.

### **Emphasis of matters**

Subsidiary investment fund's other receivables balances

As mentioned on the financial statements footnote n°9, as of June 30, 2019, the Dealer holds 99,99% of interests on the subsidiary BTG Pactual Gestora de Recursos Ltda. ("Gestora"). The BTG Pactual Gestora de Recursos Ltda. financial statements for the year ended December 31, 2018 were audited by us, and the auditor report was issued on March 1<sup>st</sup>, 2019 with an emphasis of matter paragraph due to an amount of R\$212,839 thousand of other receivables balances related with advisory fees from investment funds that are related party and advisory by Gestora and approximately 91% were overdue more than 360 days, at that date. From this amount, R\$131,871 thousand were received first semester of 2019. Gestora's management evaluated that the remaining balance will be received, and then any impairment allowance balance was recognized. Our opinion is not qualified in respect of this matter.



## **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

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

## BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

### Balance sheets

As at June 30<sup>th</sup>

(In thousands of Reais)

	Note	30/06/2019	30/06/2018
<b>Assets</b>			
Current Assets		306,693	164,534
Cash at banks	5	503	808
Short-term interbank investments		204,439	82,876
Interbank deposits	6	204,439	82,876
Securities		27,693	26,558
Own portfolio	7	27,693	26,558
Other receivables		73,661	53,676
Income receivables	8a	24,591	40,871
Sundry	8b	52,915	12,805
Allowance for losses on other receivables		(3,845)	-
Other assets		397	616
Prepaid expenses		397	616
Long-term-assets		23,530	38,974
Other receivables		23,530	38,974
Sundry	8b	23,530	38,974
Permanent assets		171,739	260,764
Investments		171,739	260,764
Investments in subsidiaries	9	171,739	260,764
Other investments		168	168
Allowance for losses		(168)	(168)
<b>Total assets</b>		<b>501,962</b>	<b>464,272</b>

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

## BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

### Balance sheets

As at June 30<sup>th</sup>

(In thousands of Reais)

	Note	30/06/2019	30/06/2018
<b>Liabilities</b>			
Current liabilities		164,645	32,842
Other liabilities		164,645	32,842
Social and statutory	10a	133,167	21,234
Tax and social security	10b	25,706	5,636
Sundry	10c	5,772	5,972
Long-term liabilities		13,651	14,062
Other liabilities		13,651	14,062
Tax and social security	10b	1,069	1,561
Sundry	10c	12,582	12,501
Shareholders' equity	13	323,666	417,368
Capital stock		150,000	150,000
Income reserve		124,177	212,690
Retained earnings		49,489	54,678
<b>Total liabilities and shareholders' equity</b>		<b>501,962</b>	<b>464,272</b>

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

## BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

### Statements of income

Semesters ended on June 30<sup>th</sup>

(In thousands of Reais, except net income per thousand shares)

	Note	30/06/2019	30/06/2018
Financial income		7,255	4,119
Securities		7,255	4,119
Gross financial income		7,255	4,119
Other operating income (expenses)		78,660	67,969
Income from services rendered	15	93,586	46,767
Personnel expenses	18	(17,506)	(17,798)
Other administrative expenses	17	(10,259)	(11,020)
Tax charges	19	(5,965)	(2,780)
Equity in the earnings of subsidiaries	9	17,624	46,373
Other operating income	16	2,426	6,774
Other operating expenses	20	(1,246)	(347)
Operating income		85,915	72,088
Non-operating (expenses) / income		-	(51)
Income before taxation and profit sharing		85,915	72,037
Income tax and social contribution	12	(20,896)	(6,745)
Provision for income tax		(15,074)	(4,929)
Provision for social contribution		(9,174)	(3,980)
Deferred income tax and social contribution		3,352	2,164
Statutory profit sharing		(15,530)	(10,614)
<b>Net income for the semester</b>		<b>49,489</b>	<b>54,678</b>
Weighted average of shares at the end of the semester	24	5,586	5,586
Net income per thousand of shares – basic and diluted	24	8.86	9.79

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

## BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

### Statements of changes in shareholders' equity

Semesters ended on June 30<sup>th</sup>

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

	Note	Capital	Income reserves			Retained Earnings	Total
			Legal	Statutory	Total		
Balances as of December 31 <sup>st</sup> , 2017		150,000	30,000	184,163	214,163	-	364,163
Adjustment of previous years		-	-	(1,473)	(1,473)	-	(1,473)
Net income for the semester		-	-	-	-	54,678	54,678
<b>Balances as at June 30<sup>th</sup>, 2018</b>		<b>150,000</b>	<b>30,000</b>	<b>182,690</b>	<b>212,690</b>	<b>54,678</b>	<b>417,368</b>
Balances as of December 31 <sup>st</sup> , 2018		150,000	30,000	294,177	324,177	-	474,177
Net income for the semester		-	-	-	-	49,489	49,489
Intermediate dividends (R\$35.80 per share)	13	-	-	(200,000)	(200,000)	-	(200,000)
<b>Balances as at June 30<sup>th</sup>, 2019</b>		<b>150,000</b>	<b>30,000</b>	<b>94,177</b>	<b>124,177</b>	<b>49,489</b>	<b>323,666</b>

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

## BTG PACTUAL ASSET MANAGEMENT S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

### Statements of cash flows

Semesters ended on June 30<sup>th</sup>  
(In thousands of Reais)

	Note	30/06/2019	30/06/2018
Operating activities			
Net income for the semester		49,489	54,678
Adjustments to net income		(18,306)	(52,419)
Equity in the earnings of subsidiaries	9	(17,624)	(46,373)
Allowance for fiscal, civil and labor contingencies	20	405	347
Provision for administration fee		841	-
Provision for losses with other investments		-	56
Foreign exchange variation	16	(1,928)	(6,449)
Adjusted net income for the semester		31,183	2,259
Increase / (Decrease) in operating assets and liabilities			
Short-term interbank investments		(92,707)	503
Securities		(3,155)	(1,635)
Other receivables and other assets		73,637	12,113
Other liabilities		(16,466)	(59,125)
Cash used in operating activities		(38,691)	(48,144)
Investing activities			
Acquisition of investments		-	(1,000)
Dividends received	9	90,000	64,170
Other asset's disposal		-	39
Cash provided by investing activities		90,000	63,209
Financing activities			
Paid dividends	13	(90,000.00)	-
Interest on equity paid		(7,000.00)	(11,000.00)
Cash used in financing activities		(97,000.00)	(11,000.00)
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>23</b>	<b>(14,508)</b>	<b>6,324</b>
Balance of cash and cash equivalents			
At the beginning of the semester		15,011	9,185
At the end of the semester		503	15,509
<b>(Decrease) / Increase in cash and cash equivalents</b>		<b>(14,508)</b>	<b>6,324</b>
Non-cash transactions	13		
Dividends distributed		(110,000)	-

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

# **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

## **Notes to the financial statements**

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### **1. Operations**

BTG Pactual Asset Management 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 other activities that corporate securities dealers are authorized to perform in accordance with prevailing legislation.

The Dealer’s and its subsidiaries focus their activities on portfolio management and on the distribution of investment funds’ shares and portfolios.

Transactions are undertaken within a group of companies operating in the financial market under an integrated BTG Pactual S.A. corporate structure (“Group”), where revenues and expenses are allocated as earned or incurred.

The Dealer’s financial statements must be read jointly with its parent company’s, Banco BTG Pactual S.A. (“Bank”), issued on August 12<sup>th</sup>, 2019.

The Management approved the Dealer’s financial statements on August 28<sup>th</sup>, 2019.

### **2. Presentation of the financial statements**

The 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”).

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

## **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

### **Notes to the financial statements**

As at June 30<sup>th</sup>, 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 using the closing rate at the reporting date, while income and expense accounts were translated at the average monthly rate of the period.

#### **Consolidation**

The Company is not presenting consolidated financial statements, and therefore the investments subsidiaries are being accounted for using the equity method.

The Banco BTG Pactual S.A. has published consolidated financial statements prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), associated with the rules and instructions of the National Monetary Council (CMN) and Brazilian Securities Commission (CVM), when applicable, on August 12<sup>th</sup>, 2019.

### **3. Significant accounting practices**

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

#### **a. Cash and cash equivalents**

For the purposes of the statements of the cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3,604/08, cash, bank deposits and highly-liquid short-term investments, with original maturities up to 90 days.

#### **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. Securities**

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3,068 of November 8<sup>th</sup>, 2001, under the following categories:

## **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

### **Notes to the financial statements**

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

#### **i. Trading securities**

Acquired with the purpose of being actively and frequently traded. Trading securities are recognized at cost plus income earned and adjusted to fair value and accounted in income (loss).

According to BACEN Circular Letter 3,068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

#### **ii. Securities available for sale**

Available for sale securities are classified neither as trading securities nor as held-to-maturity securities. They are accounted for at cost, plus income earned, with a corresponding entry to income (loss), and subsequently adjusted to fair value, with a corresponding entry to a separate account in shareholders' equity, net of tax effects, which will only be recognized in income (loss) after the effective realization.

#### **iii. Held-to-maturity securities**

This classification comprises of securities that the Dealer has the intention and ability to hold to maturity. They are accounted for at cost, plus income earned, with a corresponding entry to income (loss) for the period.

Decreases in the fair value of available-for-sale and held-to-maturity securities below their respective restated costs, related to non-temporary reasons, are recognized in income (loss) as realized losses.

#### **d. 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 even based on the price determined for other financial instruments with similar characteristics. Therefore, at the time of financial settlement of these transactions, results may differ from the estimates. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, deducted from 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.

## **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

### **Notes to the financial statements**

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

Assets and liabilities resulting from swap and currency forward transactions of non-delivery forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in income (loss), with no offset between amounts payable and receivables.

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

#### **e. Allowance for loan losses**

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.

#### **f. Financial instruments – net presentation**

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

#### **g. Investments**

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

#### **h. Impairment**

Whenever there is clear evidence that the assets are valued at an unrecoverable amount, a provision is recorded against the income (loss) for the period to adjust the balance to its recoverable amount. This procedure is performed at least at the end of each fiscal year.

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

## **BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários**

### **Notes to the financial statements**

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

#### **i. 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. The income tax, at the rate of 15%, plus a 10% surtax on the annual taxable income exceeding R\$240, and 15% for social contribution.

#### **j. 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.

##### **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.

#### **k. Earnings per share**

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

#### **l. Revenue and expenses recognition**

Revenues and expenses are recorded under the accrual method.

#### **m. Apportionment of costs**

BTG Pactual Group adopts criteria for apportionment of costs and administrative expenses that impact the Broker.

# BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

## Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### 4. Risk management

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

The BTG Pactual Group's monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. We believe that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization. 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](http://www.btgpactual.com.br/ri), in the Corporate Governance / Risk management section.

### 5. Cash at banks

Cash at banks refers basically to deposits in prime Banks, in the amount of R\$503 (June 30<sup>th</sup>, 2018 – R\$808).

### 6. Short-term interbank Investments

	30/06/2019		30/06/2018
	Total	90 to 365 days	Total
Interbank investments			
Interbank deposit certificates	204,439	204,439	82,876
<b>Total</b>	<b>204,439</b>	<b>204,439</b>	<b>82,876</b>

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

## 7. Securities

### a. By type of portfolio

As at June 30<sup>th</sup>, 2019 and 2018, the securities portfolio was classified as held for trading. The breakdown by type of instrument and contractual maturity of the portfolio are as follows:

	30/06/2019			30/06/2018
	Cost / Curve	Market	No Maturity / Up to 90 days	Market
Own portfolio				
Investment fund quotes				
Shares	17,947	27,693	27,693	26,558
<b>Total</b>	<b>17,947</b>	<b>27,693</b>	<b>27,693</b>	<b>26,558</b>

Shares of investment funds are account for at historical cost, adjusted daily by the change in share value communicated by the respective fund managers. The change in the shares' value are accounted for as "Securities" in the statement of income.

### b. Reclassification of securities

Management classifies securities according to its trading intention.

No reclassifications or changes in intention were made by management during the semesters ended on June 30<sup>th</sup>, 2019 and 2018.

## 8. Other receivables

### a. Income receivables

	30/06/2019	30/06/2018
Management fee	14,707	13,175
Performance fees	9,884	27,696
<b>Total</b>	<b>24,591</b>	<b>40,871</b>
Current	24,591	40,871
Long term	-	-

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

#### b. Sundry

	<u>30/06/2019</u>	<u>30/06/2018</u>
Advances on wages	492	399
Deferred tax assets (Note 12)	11,210	24,593
Judicial deposits		
COFINS - suspended collection	12,205	13,027
Labor resources interposition	6	19
Others	5,899	5,840
Taxes to offset	109	605
Sundry debtors	46,524	7,296
<b>Total</b>	<b><u>76,445</u></b>	<b><u>51,779</u></b>
Current	52,915	12,805
Long term	23,530	38,974

(i) The amount refers basically to the management and administration fees receivable from related companies

## 9. Investment in subsidiaries

The subsidiaries are engaged in asset management, controllership services and calculation of investment fund shares managed by the Dealer. The investments are summarized as follows:

	<u>Shareholders' Equity</u>		<u>Net income (loss)</u>		<u>Equity interest (%)</u>	
	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2019</u>	<u>30/06/2018</u>
<b>In Brazil</b>						
BTG Pactual Gestora de Investimentos Alternativos Ltda	2,903	2,113	35	(41)	99.98%	99.98%
BTG Pactual WM Gestão de Recursos Ltda	38,224	36,423	15,522	14,852	99.99%	99.99%
BTG Pactual Gestora de Recursos Ltda	129,717	218,486	2,048	31,593	99.99%	99.99%
BTG Pactual Corporate Services Ltda	897	3,742	20	(31)	99.99%	99.99%

	<u>Changes in investments</u>				
	<u>31/12/2018</u>	<u>Dividends</u>	<u>Equity in the earnings of subsidiaries</u>	<u>30/06/2019</u>	<u>Equity in the earnings of subsidiaries from 30/06/2018</u>
<b>In Brazil</b>					
BTG Pactual Gestora de Investimentos Alternativos Ltda.	2,867	-	34	2,901	(41)
BTG Pactual WM Gestão de Recursos Ltda.	22,702	-	15,522	38,224	14,852
BTG Pactual Gestora de Recursos Ltda.	217,669	(90,000)	2,048	129,717	31,593
BTG Pactual Corporate Services Ltda.	877	-	20	897	(31)
<b>Total</b>	<b><u>244,115</u></b>	<b><u>(90,000)</u></b>	<b><u>17,624</u></b>	<b><u>171,739</u></b>	<b><u>46,373</u></b>

# BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

## Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### 10. Other liabilities

#### a. Social and statutory

	<u>30/06/2019</u>	<u>30/06/2018</u>
Dividends / Interest on equity	110,000	10,614
Bonus and employee's profit sharing	23,167	10,620
<b>Total</b>	<b><u>133,167</u></b>	<b><u>21,234</u></b>
Current	133,167	21,234
Long-term	-	-

#### b. Tax and social security

	<u>30/06/2019</u>	<u>30/06/2018</u>
Tax and contributions to be collected	4,213	1,821
Income tax and social contribution	21,493	3,815
Deferred social contribution and income tax (Note 12)	1,069	1,561
<b>Total</b>	<b><u>26,775</u></b>	<b><u>7,197</u></b>
Current	25,706	5,636
Long-term	1,069	1,561

#### c. Sundry

	<u>30/06/2019</u>	<u>30/06/2018</u>
Personnel expenses	2,006	1,221
Allowance for accounts payable	230	300
Sundry creditors - Brazil (i)	2,575	3,506
Provision for contingent liabilities (Note 11)	13,543	13,446
<b>Total</b>	<b><u>18,354</u></b>	<b><u>18,473</u></b>
Current	5,772	5,972
Long-term	12,582	12,501

(i) The balance refers basically to amounts payable to related companies.

# BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

## Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### 11. Contingent assets and liabilities and legal, tax and social security liabilities

The Dealer's management evaluates existing contingencies in connection with judicial proceedings filed against the company and recognizes 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 the expected outcome for each proceeding.

#### a. Contingent assets

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

#### b. Contingent liabilities classified as probable losses and legal obligations

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.

#### c. Breakdown and changes in provisions

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

The provisions recognized, and their changes are as follows for the semesters ended on June 30<sup>th</sup>, 2019 and 2018:

	30/06/2019			30/06/2018
	Tax	Labor	Total	Total
Balance at the beginning of the semester	13,162	-	13,162	12,239
Recognition / adjustments	368	13	381	1,222
Write-off	-	-	-	(15)
Balance at the end of the semester	13,530	13	13,543	13,446
Provision for contingent liabilities (Note 10c)			13,543	13,446

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

The main litigation is questioning the legality of the collection of COFINS according to the rules established in Law 9,718/98.

As at June 30<sup>th</sup>, 2019, the Dealer was involved in tax proceedings with a possible chance of success, proceedings that are not provisioned for. Below is the description of the most relevant ones:

- 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\$215 million (June 30<sup>th</sup>, 2018 – R\$188 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.
- Cases which discusses the validity of tax credits from IRPJ, CSLL, IRRF to pay off debts of income, CSLL, IRRF, PIS and COFINS. The amount involved in these processes is R\$5 million (June 30<sup>th</sup>, 2018 – R\$4 million).

## 12. Income tax and social contribution

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

	30/06/2019	30/06/2018
Tax base	70,385	61,423
Income before taxes and profit sharing	85,915	72,037
Statutory profit sharing	(15,530)	(10,614)
Total charge of income tax and social contribution at the current rates	(28,154)	(27,640)
Permanent (additions) / deductions in taxation calculation	7,215	20,896
Equity pick up in subsidiaries	7,050	20,896
Other permanent (additions) / deductions	165	-
Temporary (additions) / deductions on the taxation calculation	(6,078)	(4,912)
Tax contingencies and provision for suspended-payment taxes	(258)	(97)
Tax contingencies and provision for suspended-payment taxes	(30)	-
Other provisions	(5,885)	(4,815)
Foreign exchange variation	95	-
(Constitution) / Compensation on fiscal loss of Income Tax and negative base of CSLL	2,769	2,747
Income tax and social contribution expense	(24,248)	(8,909)
Revenues from deferred taxes assets	3,352	2,164
<b>Total expenses</b>	<b>(20,896)</b>	<b>(6,745)</b>

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

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

The present value of tax credits, based on the rubric “Other receivables – Sundry” (Note 8b), is as follows:

Income taxes and social contribution	Tax credits on temporary differences	Total
2019	5,927	5,927
2021	962	962
2022	5	5
From 2023 onwards	4,316	4,316
	11,210	11,210
<b>Present value</b>	<b>9,645</b>	<b>9,645</b>

The Dealer has deferred tax liabilities in the amount of R\$1,069 (June 30<sup>th</sup>, 2018 – R\$1,560), note 10b.

On May 21<sup>st</sup>, 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 1<sup>st</sup>, 2015, onwards. On October 7<sup>th</sup>, 2015, Law No. 13,169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019 onwards.

### 13. Shareholders' equity

#### a. Capital

As at June 30<sup>th</sup>, 2019 and 2018, fully subscribed and paid capital was R\$150,000 represented by 5,586,526 registered shares with no par value, of which 2,793,263 are common shares and 2,793,263 are preferred shares. Preferred shares' holders are not entitled to voting and, in the event of Company dissolution, are ensured priority upon return of capital at no premium.

#### 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 capital. This reserve will be constituted at the end of the year.

#### c. Statutory reserve

According to the Bylaws, the purpose of this reserve is to maintain working capital and is limited to the amount presented on the Capital account. In accordance with the resolution, this reserve will only be constituted at the end of the year.

Any balances that exceed the limits stipulated by law will be allocated to subsequent General Shareholders' Meetings.

# BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

## Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### d. Profit sharing

Shareholders are entitled to annual dividends of at least 25% of net income, adjusted in accordance with article 202 of Law No. 6,404/76. Interest on equity, when approved and paid, is appropriated as minimum dividend portion.

At the Board of Directors' Meeting held on February 12<sup>th</sup>, 2019, was approved the distribution of R\$200,000 dividends of previous years, equivalent to R\$35,80 per share, of which R\$90,000 were paid on February 28<sup>th</sup>, 2019.

## 14. Derivative financial instruments

As at June 30<sup>th</sup>, 2019 and 2018, the Dealer had no derivative financial instruments.

## 15. Income from services rendered

	<u>30/06/2019</u>	<u>30/06/2018</u>
Management fee from investment funds and portfolios	41,481	40,262
Performance fee from investment funds	52,105	6,505
<b>Total</b>	<b><u>93,586</u></b>	<b><u>46,767</u></b>

## 16. Other operating income

	<u>30/06/2019</u>	<u>30/06/2018</u>
Reversal of provisions - Employee participation in profit	-	27
Reversal of provisions - others	271	-
Adjustment to inflation of court deposits	227	298
Exchange rate variation	1,928	6,449
<b>Total</b>	<b><u>2,426</u></b>	<b><u>6,774</u></b>

## 17. Other administrative expenses

	<u>30/06/2019</u>	<u>30/06/2018</u>
Outsourced services and Consulting (i)	2,716	3,230
Telecommunications and data processing (i)	3,766	3,332
Expenses of the financial system (i)	16	26
Leases and condominiums (i)	1,055	1,452
Travel and Lodging (i)	517	725
Advertising and public relations (i)	696	709
Amortization and depreciation (i)	528	855
Others	965	691
<b>Total</b>	<b><u>10,259</u></b>	<b><u>11,020</u></b>

(i) The BTG Pactual Group adopts a criteria for costs and administrative expenses allocation, which affected the Dealer.

# BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

## Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### 18. Personnel expenses

At June 30<sup>th</sup>, 2019 and 2018, the account balance refers mainly to payroll and the its respective social charges.

### 19. Tax charges

	<u>30/06/2019</u>	<u>30/06/2018</u>
CVM's inspection fee	28	-
IOF	3	1
ISS	1,854	812
COFINS	3,417	1,517
PIS	555	246
Others	108	204
<b>Total</b>	<b><u>5,965</u></b>	<b><u>2,780</u></b>

### 20. Other operating expenses

	<u>30/06/2019</u>	<u>30/06/2018</u>
Provision for contingencies	405	347
Provision for administration fee	841	-
<b>Total</b>	<b><u>1,246</u></b>	<b><u>347</u></b>

### 21. Related parties

The balances of transactions with related parties, which are carried out at arm's length, are reflected in the following accounts:

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

	Controller		Subsidiaries (i)		Total	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018	30/06/2019	30/06/2018
<b>Asset</b>						
Cash at banks	301	801	-	-	301	801
Interbank investments deposits	204,439	82,876	-	-	204,439	82,876
Securities	-	-	27,693	26,558	27,693	26,558
Other receivables						
Income receivables	-	-	3,461	24,521	3,461	24,521
Sundry	46,108	21	-	7,275	46,108	7,296
<b>Total assets</b>	<b>250,848</b>	<b>83,698</b>	<b>31,154</b>	<b>58,354</b>	<b>282,002</b>	<b>142,052</b>
<b>Liabilities</b>						
Other liabilities						
Social and statutory	110,000	-	-	-	110,000	-
Sundry	2,555	3,096	14	-	2,569	3,096
<b>Total liabilities</b>	<b>112,555</b>	<b>3,096</b>	<b>14</b>	<b>-</b>	<b>112,569</b>	<b>3,096</b>
<b>Revenues/Expenses</b>						
Financial income	4,081	2,484	3,156	-	7,237	2,484
Other operating income / (expenses)	-	-	1,292	4,690	1,292	4,690
<b>Total Income</b>	<b>4,081</b>	<b>2,484</b>	<b>4,448</b>	<b>4,690</b>	<b>8,529</b>	<b>7,174</b>

(i) Controlled by BTG Pactual Holding S.A.

The total compensation paid to key management personnel for the semester ended on June 30<sup>th</sup>, 2019, was R\$150 (June 30<sup>th</sup>, 2018 - R\$3,650) which is considered a short-term benefit.

## 22. Operating limits

The Dealer opted for calculating its operating limits on a consolidated basis considering BTG Pactual Financial Conglomerate, which is the lead institution for Banco BTG Pactual S.A.

On June 30<sup>th</sup>, 2019 and 2018, all operating limits are duly met.

## BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários

### Notes to the financial statements

As at June 30<sup>th</sup>, 2019

(In thousands of Reais, except otherwise indicated)

### 23. Other information

#### a. Cash and cash equivalents

	<u>31/12/2018</u>	<u>31/12/2017</u>
<b>Balances at the beginning of the semester</b>		
Cash at banks	307	309
Interbank deposits	14,704	8,876
<b>Total</b>	<b><u>15,011</u></b>	<b><u>9,185</u></b>
	<u>30/06/2019</u>	<u>30/06/2018</u>
<b>Balances at the end of the semester</b>		
Cash at banks	503	808
Interbank deposits	-	14,701
<b>Total</b>	<b><u>503</u></b>	<b><u>15,509</u></b>

#### b. Commitments and responsibilities

On June 30<sup>th</sup>, 2019 and 2018, there were no funds and portfolios managed by the Dealer.

### 24. Earnings per share

	<u>30/06/2019</u>	<u>30/06/2018</u>
Net income for the semester	49,489	54,678
Weighted average of shares at the end of the semester (per thousand of shares)	5,586	5,586
<b>Net earnings per thousand of shares – basic and diluted (in reais)</b>	<b><u>8.86</u></b>	<b><u>9.79</u></b>

### 25. Subsequent Events

The remaining amount of dividends distributed in the semester ended on June 30<sup>th</sup>, 2019, in the amount of R\$ 110,000, were paid on July 19<sup>th</sup>, 2019.