

QUARTERLY FINANCIAL STATEMENTS

2nd quarter of 2019

Dear Shareholders,

B3 S.A. – Brasil, Bolsa, Balcão (“B3” or “Company”) hereby submits for your consideration the Management’s Discussion & Analysis regarding the activities performed in the second quarter of 2019 (2Q19).

OPERATIONAL PERFORMANCE

As previously reported to the market, from the first quarter of this year, the Company adopted a new breakdown of its revenues in different markets and services. The reconciliation of these changes and of the historical bases are available on the [Investor Relations](#) website.

Listed

Equities

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
Cash market	ADTV (R\$ million)	14,747.6	12,078.1	22.1%	16,182.8	-8.9%
	Margin (bps)	4.382	4.660	-0.278 bps	4.356	0.026 bps
Average Market capitalization	(R\$ billion)	3,843.8	3,323.3	15.7%	3,856.6	-0.3%
Turnover Velocity	Annualized (%)	95.2%	89.0%	611 bps	104.1%	-891 bps
Options market (stock/indices)	ADTV (R\$ million)	287.9	306.4	-6.0%	365.2	-21.2%
	Margin (bps)	14.552	14.100	0.452 bps	14.808	-0.256 bps
Forward market	ADTV (R\$ million)	157.7	110.3	43.0%	156.5	0.8%
	Margin (bps)	13.150	13.000	0.150bps	13.000	0.150bps
Future stock indices ¹	ADV (thousands of contracts)	1,445.2	690.1	109.4%	1,277.4	13.1%
	Average RPC (R\$)	1.075	0.886	21.3%	0.855	25.7%
Investors number	Average (thousands)	1,118.3	706.2	58.4%	943.3	18.5%
Securities lending	Average open positions (R\$ billion)	56.4	40.7	38.6%	55.8	1.0%

The highlights in the equities segment were the 22.1% growth in the average daily traded value on the cash equities market and the 109.4% increase in the volumes of Stock indices futures contracts, both compared to 2Q18. In the cash equities market, this increase reflects both the 15.7% growth in the average market capitalization² and the higher turnover velocity³, which reached 95.2% in 2Q19. In the future contracts market, the positive performance can be attributed to the growth in trading of Mini contracts, particularly by individual investors and High Frequency Traders (HFT).

The trading/post-trading margin in cash equities totaled 4.382 bps in 2Q19 versus 4.660 bps in 2Q18, with the decrease mostly explained by (i) the greater participation of day trades and local institutional investors, for whose fees are lower; and (ii) marginal discounts to the market in accordance with B3’s pricing policy. The average RPC of Stock indices futures contracts in the period increased by 21.3%, mainly due to the new form B3 started to charge these contracts from Mar’19 (announced on Dec’18).

It is also worth noting the 58.4% growth in the number of active investors in the equities depository, evidencing the increased interest in diversifying investments in a low interest rate scenario. B3 has supported, with incentive programs, brokerage firms that have been dedicated to attracting new clients to the equities market.

¹ The volume of Mini contracts is weighted on the respective standard contracts, affecting both the volumes and the RPC of these groups of contracts.

² Market capitalization is obtained by multiplying the number of shares issued by the listed companies by their respective market prices.

³ Turnover velocity is obtained by dividing the annualized trading volume on the spot market in the period, by the average market capitalization in the same period.

FICC¹

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
Interest rates in BRL	ADV (thousands of contracts)	2,814.0	2,615.6	7.6%	1,989.7	41.4%
	Average RPC (R\$)	0.864	1.013	-14.7%	1.038	-16.8%
Interest rates in USD	ADV (thousands of contracts)	400.3	387.6	3.3%	379.1	5.6%
	Average RPC (R\$)	1.862	1.757	5.9%	1.623	14.7%
FX rates	ADV (thousands of contracts)	720.0	685.2	5.1%	765.9	-6.0%
	Average RPC (R\$)	3.954	3.276	20.7%	3.488	13.4%
Commodities	ADV (thousands of contracts)	8.9	10.6	-16.2%	6.7	31.8%
	Average RPC (R\$)	2.121	1.751	21.2%	2.076	2.2%
Total	Total ADV (thousands of contracts)	3,943.2	3,698.9	6.6%	3,141.5	25.5%
	Average RPC (R\$)	1.533	1.512	1.3%	1.708	-10.3%

Average daily volume totaled 3.9 million contracts in 2Q19, up by 6.6% when compared to the same period last year, reflecting the increase in the volume traded of all contracts, except Commodities. The highlight was the volume of Interest rates in BRL contracts, which was driven by the growth of option contracts, given the expectation of changes in interest rates in short- and medium-term. Average RPC increased 1.3% compared to 2Q18, mainly influenced by the 11.9% appreciation of the US Dollar against the Real during the period⁴, which positively impacted the RPC of Interest rate in USD, FX rates and Commodities contracts, together with the new pricing policies, which also affects several products that are pegged to the USD. On the other hand, there was a decrease in the RPC of Interest rate in BRL contracts due to the higher participation of options contracts, which have a lower RPC, in the traded volume of this group of contracts.

OTC

Fixed income

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
New issues	Bank funding (total in R\$ billion)	2,164.7	2,034.2	6.4%	2,121.0	2.1%
	Outstanding position	1,210.9	1,088.1	11.3%	1,148.3	5.5%
Outstanding position	Corporate debt (average in R\$ billion)	606.4	683.3	-11.3%	590.6	2.7%
	Treasury Direct	1,042.0	609.7	70.9%	897.1	16.1%
Treasury Direct	Number of investors (average in thousand)	1,042.0	609.7	70.9%	897.1	16.1%
	Stock (average in R\$ billion)	62.5	48.7	28.5%	59.9	4.4%

In 2Q19, the volume of new issues and the outstanding positions of registered bank funding instruments showed a 6.4% and a 11.3% increase, respectively, over the same period the year before, mainly as a result of the growth in issues of Bank Deposit Certificates. In the opposite direction and even considering the increase in issues in the local capital market, the average outstanding positions of corporate bond fell 11.3%, mainly as a result of the significant volume of redemptions of debentures issued by leasing companies, due to regulatory changes⁵.

Another highlight of the fixed income market was the sharp growth of Treasury Direct, whose number of investors increased by 70.9% and outstanding position grew by 28.5%, demonstrating the increase in interest of investors for greater diversification of their investments. In this context and recognizing the importance of this product to attracting new customers, B3 introduced in Jan'19 a new incentive program that rewards brokerage firms that achieve growth targets for number of investors and outstanding positions of this product. This incentive program is an example of how the Company supports its clients in the development of the Brazilian market.

Derivatives

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
New Issues	(total in R\$ billion)	2,676.2	2,552.0	4.9%	2,294.9	16.6%
Outstanding position	(average in R\$ billion)	2,628.0	2,310.2	13.8%	2,380.7	10.4%

⁴ The average RPC of FX rate and interest rate contracts in USD in 2Q19 takes into account the average PTAX closing price at the end of Mar/19, Apr/19 and May/19 (R\$3.93), while the average RPC for 2Q18 takes into account the average PTAX closing price at the end of Mar/18, Apr/18 and May/18 (R\$ 3.51).

⁵ In Oct/16, the Central Bank published a resolution prohibiting the execution, extension and renewal of REPOS with securities issued by companies linked to the same financial conglomerate, including debentures issued by leasing companies.

The registration of new issues on the OTC derivatives and structured notes market recorded a growth of 4.9% in 2Q19 when compared to 2Q18, mostly concentrated in FX swap and forward contracts. The average volume of outstanding positions rose 13.8% as a result of the positive impact of the appreciation of the US Dollar against the Real, given that most of these contracts are dollar denominated.

Infrastructure for Financing

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
SNG	Number of vehicles sold (thousand)	4,532.4	4,415.6	2.6%	4,214.9	7.5%
	Number of vehicles financed (thousand)	1,469.3	1,324.1	11.0%	1,406.3	4.5%
	% Vehicles financed/vehicles sold	32.4%	30.0%	243 bps	33.4%	-95 bps
Contracts System	Contracts added (thousands)	876.5	834.5	5.0%	767.3	14.2%
	% Contracts added/vehicle financed	59.7%	63.0%	-336 bps	54.6%	510 bps

In 2Q19, the number of additions in the National Liens System (SNG) showed an 11.0% growth when compared to 2Q18, which can be explained by the 2.6% increase in the total number of vehicles sold added to the higher credit penetration, which increased from 30.0% in 2Q18 to 32.4% in 2Q19.

In the Contracts System, the number of contracts transmitted in 2Q19 was 5.0% higher than in 2Q18, reflecting the growth in the number of vehicles financed, which was partially offset by the reduction in B3's market share, from 63.0% in 2Q18 to 59.7% in 2Q19, explained by the interruption of B3's service in the state of Paraná in Oct'18. On the other hand, the return of the service in the states of Minas Gerais and Piauí had a positive impact on the quarter's figures from May'19 onward, which explains the increase in market share when compared to 1Q19.

Technology, data and services

Technology and access

		2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
Monthly Utilization	Average number of clients	13,183	12,350	6.7%	12,967	1.7%
	Number of electronic cash transfers processed (thousands)	201,163	156,094	28.9%	175,095	14.9%

The average number of clients that pay the monthly utilization fees related to services in the OTC segment was up by 6.7% over the same period the year before, as a result of the entry of credit unions as clients in Aug'18. The number of processed electronic cash transfers (EFT) during the quarter was 28.9% higher than in 2Q18.

INCOME STATEMENT

Revenues

Total revenues: totaled R\$1,579.9 million in 2Q19, up by 14.0% over 2Q18, mainly due to the growth in the Listed and Infrastructure for financing segments revenues.

Listed: totaled R\$1,016.8 million in the quarter (64.4% of the total), 18.2% higher than in 2Q18.

- **Cash equities and equities instruments:** R\$637.1 million (40.3% of the total), a 25.6% increase in the period.

Trading and Post-Trading: R\$542.6 million (34.3% of the total), 26.4% higher than in 2Q18, reflecting the growth in the volumes traded in the period, both in the cash equities market and Stock indices futures contracts, with average volumes increasing by 22.1% and 109.4%, respectively.

Depository: R\$29.6 million (1.9% of the total), up by 1.6% in the period. The 58.4% increase in the average number of accounts in the depository wasn't reflected into revenues because of the incentive program offered to brokerage firms aiming to expand the individual investor base in the cash equities market. According to this program, brokerage firms who achieve performance goals related to growth in number of accounts and outstanding positions receive bonuses in the form of partial exemptions from the custody fee⁶ (these bonuses reached R\$14.7 million in the quarter).

⁶ The results of the incentive programs aimed at attracting investors to the cash equities market are measured and distributed every six months.

Stock lending: R\$37.4 million (2.4% of the total), 34.3% higher than in 2Q18, due to the 38.6% increase in the average financial volume of outstanding positions.

Listing and solutions for issuers: R\$27.5 million (1.7% of total), up by 30.8% compared to 2Q18, mainly as a result of the greater number of public offerings in 2Q19 (2 IPOs and 7 follow-ons that totaled R\$24.0 billion).

- **FICC:** R\$379.7 million (24.0% of the total), a 7.6% increase in the period, reflecting both the increase in the average daily volume traded and in the average revenue per contract (RPC) in the period, mainly as a result of the US dollar-denominated contracts (FX rates and Interest rates in USD), taking into account the 11.9% appreciation of the US Dollar against the Real during the period.

OTC: R\$218.6 million (13.8% of the total), a decrease of 8.5% when compared to 2Q18.

- **Fixed income instruments:** R\$131.3 million (8.3% of total), down 17.1% in relation to 2Q18, mainly as a result of the impact of the new program to expand Treasury Direct investor base, introduced at the start of the year. Similar to the incentive program in the equities depositary, this program sets targets for growth of number of investors and outstanding positions⁷ that, when achieved, provide revenue rebates for brokerage firms. With the strong demand for this product in 2Q19, the negative impact on revenue was R\$5.6 million (rebates totaled R\$43.1 million versus revenues of R\$37.5 million in the period; in 2Q18, revenues totaled R\$27.5 million, net of rebates).
- **Derivatives:** R\$47.8 million (3.0% of the total), 8.2% higher than in 2Q18, due to the higher volume of structured notes and FX swap contracts registered, in addition to the appreciation of the US Dollar against the Real during the period, with a positive impact on FX related derivatives.
- **Other:** R\$39.5 million (2.5% of the total), up by 8.7% over the 2Q18, reflecting the growth in the volume of mutual funds quotas under custody.

Infrastructure for financing: R\$163.2 million (10.3% of the total), a 35.8% increase when compared to 2Q18. This increase can be attributed to (i) the effects of changes in the Contract System's business models in certain states in 2018 and at the beginning of 2019, (ii) the annual adjustment in prices by inflation and (iii) the 11.0% growth in the number of vehicles financed.

Technology, data and services: R\$181.3 million (11.5% of the total), up by 8.7% over the 2Q18.

- **Technology and access:** R\$109.3 million (6.9% of the total), a 6.2% increase over 2Q18, mainly as a result of the increase in the number of customers accessing the OTC segment platforms.
- **Data and analytics:** R\$44.4 million (2.8% of the total), an increase of 19.7% over 2Q18, mainly due to the appreciation of the US Dollar against the Real, given that 57.8% of this revenue is linked to the US Dollar, and due to the increase in the client base.
- **B3 Bank:** amounted to R\$11.5 million in 2Q19 (0.7% of the total), an increase of 45.7% over 2Q18, as a result of the growth in the number of transactions carried out by foreign clients who use B3 Bank's custody services.

Net revenue: a 13.6% increase over 2Q18, totaling R\$1,421.1 million in 2Q19.

Expenses

Expenses totaled R\$679.5 million in 2Q19, a 27.8% increase over the same period of the previous year, mainly due to the increase in revenue-linked expenses in 2Q19 and the reducing impact that expenses linked to the market price of B3SA3 had in 2Q18.

- **Personnel:** R\$192.7 million in 2Q19, an 15.2% increase over 2Q18, due to the increase in expenses related to provisions for the long-term stock-based incentive plan⁸, which had been impacted by the reduction in the market price of B3SA3 shares in 2Q18. Disregarding the long-term incentive expenses, personnel and charges would have grown by 0.8%.
- **Depreciation and amortization:** R\$257.6 million in 2Q19, an 8.6% increase over 2Q18, as a result of the adjustment made to the amortization curve of intangible assets recognized in connection with the acquisition of Cetip (R\$197.9 million in 2Q19 versus R\$187.2 million in 2Q18), the start of the amortization of systems that became operational and the acceleration of the depreciation of fixed assets as a result of the retrofit project at our corporate headquarters.
- **Revenue-linked expense:** R\$85.4 million in 2Q19, an 82.2% increase over 2Q18, explained by the implementation of a new business model in the Contracts System of the Infrastructure for financing segment, as explained in previous quarters.
- **Third-party services:** totaled R\$18.1 million in 2Q19, a 10.8% decrease when compared to 2Q18, due to the reduction in expenses with legal fees.

⁷ The results of the incentive programs aimed at attracting investors to Treasury Direct are measured and distributed every six months.

⁸ The provisions for social and labor charges applicable to staff expenses related to the long-term stock-based incentive plan are restated in line with B3SA3 share price. B3SA3 closing price at the end of Jun'18 was R\$20.45 and R\$26.69 at the end of Mar'18. In 1Q19, the Company contracted derivatives related to the price of its own shares, aiming to reduce the variations in provisions for payroll charges. These derivatives consider an average price for the B3SA3 share of around R\$31.00.

- **Others:** totaled R\$60.5 million in 2Q19. The most significant item in this expense group are provisions, which consist for the most part of updates of provisions related to legal disputes for which part of the amount under discussion is updated in accordance with the share price of B3SA3⁹ and which had a negative effect of \$27.7 million in 2Q19 (when compared to a positive effect of R\$32.4 million in 2Q18) due to the increase in the market price of B3SA3's share.

Financial Result

The financial result totaled R\$55.6 million in 2Q19. Financial revenues totaled R\$149.2 million, a 23.1% increase over the same period the year before, mainly explained by the increase in the company's average cash position. Financial expenses totaled R\$102.3 million, a 42.5% drop when compared to 2Q18, mainly as a result of the Company's lower average level of indebtedness during the quarter.

<i>(In thousands of Reais, unless otherwise indicated)</i>	2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
Financial Result	55,597	(57,160)	-197.3%	20,781	167.5%
Financial income	149,165	121,222	23.1%	111,124	34.2%
Financial expenses	(102,348)	(177,883)	-42.5%	(85,687)	19.4%
Net FX variations	8,780	(499)	-1,859.5%	(4,656)	-288.6%

Income tax and social contribution

The income tax and social contribution line totaled R\$143.1 million in 2Q19 and was affected by the payment of interest on capital (IoC) in the amount of R\$390.0 million. Current tax totaled R\$33.4 million and includes R\$4.3 million with cash impact. Deferred income tax and social contribution totaled R\$109.7 million, without cash impact, which was mainly consisted of the temporary difference from the amortization of goodwill for tax purposes of R\$119.6 million in 2Q19. It is important to highlight that in 2Q18 the income tax and social contribution line was positive by R\$63.1 million due to the IoC distribution of R\$652.0 million in the quarter.

Net Income

Net income attributable to B3's shareholders totaled R\$654.8 million, a 9.6% decrease in relation to 2Q18, mainly as a result of increases (i) in income tax and social contribution, given that in 2Q18 the reduction in the tax base due to the payment of IoC was greater and (ii) expenses related to the share price (payroll charges and provisions).

Adjustments to Net Income

<i>(In thousands of Reais, unless otherwise indicated)</i>	2Q19	2Q18	2Q19/2Q18 (%)	1Q19	2Q19/1Q19 (%)
Net income (attributable to shareholders)	654,769	724,435	-9.6%	606,198	8.0%
(+) Expenses related to the Cetip combination	-	9,871	-	-	-
(+) Amortization of intangibles (Cetip combination)	130,585	123,544	5.7%	130,307	0.2%
Recurring net income	785,354	857,850	-8.5%	736,505	6.6%
(+) Deferred Tax (goodwill from Cetip combination)	119,629	119,629	0%	119,629	0.0%
Recurring net income adjusted by goodwill tax benefit	904,983	977,479	-7.4%	856,134	5.7%

Note: amounts net of taxes, calculated at a rate of 34% applied to the deductible portion.

Excluding the non-recurring items mentioned above, net income would have totaled R\$785.4 million¹⁰ in 2Q19, an 8.5% decrease when compared to the same period of the previous year. In addition, if adjusted for the tax break resulting from the goodwill amortization related to the Cetip combination, net income would have totaled R\$905.0 million.

MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2019

Assets, Liabilities and Shareholders' Equity Accounts

The Company closed the quarter with total assets of R\$40.2 billion, up by 6.6% against Dec/18. The main change in assets occurred in the items Cash and Cash Equivalents and Financial Investments and Marketable Securities (current and non-current), which together totaled R\$11.2 billion, reflecting (i) funding of R\$1.2 billion through the issuance of debentures in May'19, (ii) cash generation in the period and (iii) increase in the volume of collateral deposited in cash (counterpart in current liabilities).

⁹ The number of shares equivalent to the amounts under discussion is 5,186,739 B3SA3 shares. B3SA3's closing price was R\$37.46 at the end of Jun/19, against R\$32.12 at the end of Mar/19, an increase of 16.6%.

¹⁰ B3's objective in presenting recurring net income is to facilitate comparison between periods and, consequently, the assessment of the Company's performance, highlighting non-recurring items which are not necessarily directly related to the normal course of its business.

Regarding liabilities, at the end of 2Q19, B3 recorded gross debt of R\$5.5 billion (68.3% long term and 31.7% short term), which corresponds to 1.5x the recurring EBITDA for the last 12 months. It is important to note that in May'19, the Company raised R\$1.2 billion through the issuance of debentures, in line with the financial leverage of the Company and earnings distribution guidance for 2019 (see Material Fact of August 08, 2019).

Shareholders' equity at the end of Jun/19 was R\$25.3 billion, consisting mainly of the capital reserve of R\$18.1 billion and the share capital of R\$3.5 billion.

OTHER FINANCIAL INFORMATION

Investments

In 2Q19, investments amounted to R\$34.6 million, mainly related to upgrades of systems and technology for all of segments in which B3 operates, as well as to product development and to the retrofit project of the Company's headquarters (engineering, furniture and technology). In the first half of 2019, the investments totaled R\$99.7 million.

Distributions to shareholders

In Jun/19, the Board of Directors approved distribution of IoC and dividends in the amounts of R\$390.0 million and R\$211.2 million, respectively. Such amounts were paid on July 17, 2019.

It should also be pointed out that on June 26, 2019 the Company announced a share buyback program with a maximum amount of 38.5 million shares up until the end of Feb'20. In July, the Company acquired 1,962,800 million shares, which translates into a financial volume of R\$75.5 million.

EXTERNAL AUDIT

The Company has retained Ernst & Young Auditores Independentes to provide external audit services for its financial statements for the year 2019.

The company's policy, and that of its subsidiaries, in relation to contracting external audit services is based on internationally accepted principles, which preserve the independence of work of this nature and consist of the following practices: (i) the auditor is not allowed to undertake executive and managerial functions for the Company, or for its subsidiaries; (ii) the auditor may is not allowed to perform an operational role within the Company or its subsidiaries that may compromise the effectiveness of the audit work; and (iii) the auditor must remain impartial – avoiding the existence of conflicts of interest or loss of independence – and the objectiveness of his or her opinions and pronouncements regarding the financial statements.

In the first semester of 2019, Ernst & Young Auditores Independentes was hired to provide non-external audit services. The total contract in relation to this service was less than 5% of the total fees for the external audit services scheduled for the year. The contracted service in question was the preparation and issuance of an appraisal report of net book value determined by means of the accounting books (the "Report") of BLK Sistemas Financeiros Ltda., for the period ended December 31, 2018.

Quarterly Information (ITR)

B3 S.A. - Brasil, Bolsa, Balcão

June 30, 2019
with Independent Auditor's Report

B3 S.A. - Brasil, Bolsa, Balcão

Quarterly Information

June 30, 2019

Contents

Independent auditor's report on quarterly information	1
Financial statements	
Balance sheet	3
Statement of income	5
Statement of comprehensive income	7
Statement of changes in equity	9
Statement of cash flow	11
Statement of value added	12
Notes to quarterly information	13



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A free translation from Portuguese into English of Independent Auditor's Report on quarterly information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in Reais (R\$).

Independent auditor's report on quarterly information

The Board of Directors and Shareholders of
B3 S.A. - Brasil, Bolsa, Balcão
São Paulo, Brazil

We have reviewed the accompanying individual and consolidated interim financial information of B3 S.A. - Brasil, Bolsa, Balcão ("Company"), contained in the Quarterly Information Form (ITR) for the three-month period ended June 30, 2019, which comprises the balance sheet as at June 30, 2019 and the related statements of income and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period then ended, including explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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 on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for six-month period ended June 30, 2019, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required.

These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

São Paulo, August 8, 2019.

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



Flávio Serpejante Peppe
Partner

A free translation from Portuguese into English of individual and consolidated quarterly information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in Reais (R\$).

B3 S.A. - Brasil, Bolsa, Balcão

Balance sheet

June 30, 2019 and December 31, 2018

(In thousands of reais)

Assets	Notes	B3		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Current assets		9,635,656	6,578,955	10,323,038	7,475,618
Cash and cash equivalents	4(a)	480,444	291,812	520,253	329,687
Financial investments and marketable securities	4(b)	8,310,334	5,639,356	8,927,165	6,487,587
Derivative financial instruments	4(c)	41,331	24,839	41,331	24,839
Accounts receivable	5	337,339	318,378	345,388	323,822
Taxes recoverable and prepaid	16(d)	365,832	228,163	373,582	232,910
Prepaid expenses		52,946	43,471	53,812	43,491
Other receivables		32,552	18,058	46,629	18,404
Noncurrent assets available to sell		14,878	14,878	14,878	14,878
Noncurrent assets		31,242,189	31,642,079	29,851,898	30,196,627
Long-term receivables		2,175,955	2,286,165	2,306,550	2,388,707
Financial investments and marketable securities	4(b)	1,648,369	1,653,205	1,778,370	1,755,193
Derivative financial instruments	4(c)	217,045	257,185	217,045	257,185
Judicial deposits	11(h)	296,907	363,379	297,501	363,933
Prepaid expenses		13,634	12,396	13,634	12,396
Investments		1,703,211	1,596,286	46,818	45,591
Interest held in subsidiaries and associate	6(a)	1,703,211	1,596,286	21,496	19,510
Investment properties	6(b)	-	-	25,322	26,081
Property and equipment	7	626,763	625,598	637,135	627,325
Intangible assets	8	26,736,260	27,134,030	26,861,395	27,135,004
Total assets		40,877,845	38,221,034	40,174,936	37,672,245

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Balance sheet

June 30, 2019 and December 31, 2018

(In thousands of reais)

Liabilities and equity	Notes	B3		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Current liabilities		7,246,152	6,469,185	6,365,733	5,755,789
Collateral for transactions	14	2,645,377	2,110,933	2,645,377	2,110,933
Earnings and rights on securities in custody	21(c)	64,191	59,850	64,191	59,850
Suppliers		165,026	188,655	174,565	190,569
Salaries and social charges	21(a)	286,157	325,385	290,134	326,675
Taxes and contributions payable	21(b)	136,828	116,194	150,819	125,624
Loans and financing	9	3,181,010	3,171,823	1,780,589	1,777,213
Derivative financial instruments	4(c)	1,150	7,288	1,150	7,288
Dividends and interest on equity payable		554,140	370,203	554,140	370,203
Revenues to be allocated		65,727	43,601	65,727	43,601
Other liabilities	10	146,546	75,253	639,041	743,833
Noncurrent liabilities		8,298,817	6,718,880	8,463,025	6,872,260
Loans and financing	9	3,814,805	2,585,445	3,959,012	2,731,946
Deferred income tax and social contribution	16(a)	3,574,969	3,344,459	3,589,333	3,344,440
Provisions for tax, civil, labor and other contingencies	11(e)	803,195	714,145	807,838	721,043
Revenues to be allocated		52,203	47,606	52,203	47,606
Other liabilities	10	53,645	27,225	54,639	27,225
Equity	12	25,332,876	25,032,969	25,346,178	25,044,196
Capital and reserves attributable shareholders of B3					
Capital		3,548,655	3,548,655	3,548,655	3,548,655
Capital reserve		18,070,656	18,066,178	18,070,656	18,066,178
Revaluation reserves		18,138	18,431	18,138	18,431
Income reserves		3,523,443	3,523,443	3,523,443	3,523,443
Treasury shares		(128,382)	(165,635)	(128,382)	(165,635)
Other comprehensive income		35,255	41,897	35,255	41,897
Retained earnings		265,111	-	265,111	-
		25,332,876	25,032,969	25,332,876	25,032,969
Non-controlling interests		-	-	13,302	11,227
Total liabilities and equity		40,877,845	38,221,034	40,174,936	37,672,245

See accompanying note

B3 S.A. - Brasil, Bolsa, Balcão

Statement of income

Quarters and periods ended June 30, 2019 and 2018

(In thousands of reais, unless otherwise stated)

		B3			
		2019		2018	
	Notes	2Q	Accumulated	2Q(*)	Accumulated(*)
Revenues	17	1,393,690	2,747,716	1,226,218	2,320,983
Expenses		(667,077)	(1,323,786)	(523,612)	(1,117,935)
General and administrative					
Personnel and charges		(184,609)	(382,226)	(163,438)	(348,225)
Data processing		(42,742)	(80,740)	(44,020)	(86,854)
Depreciation and amortization	7 and 8	(256,388)	(513,490)	(236,858)	(472,521)
Revenue-linked expense		(84,408)	(158,447)	(46,177)	(87,929)
Third-party services		(17,638)	(35,547)	(19,895)	(34,773)
Maintenance		(4,510)	(9,566)	(4,621)	(9,608)
Communications		(704)	(1,400)	(512)	(1,613)
Marketing		(6,138)	(10,234)	(8,243)	(12,318)
Taxes and charges		(4,009)	(6,530)	(2,755)	(4,960)
Board and committee members' compensation		(4,881)	(7,719)	(4,042)	(7,683)
Sundry expenses	18	(61,050)	(117,887)	6,949	(51,451)
Equity in income of investees	6(a)	1,067	32,804	194,825	217,498
Financial result	19	62,883	61,740	(248,283)	(290,411)
Financial income		146,942	255,896	118,907	224,874
Financial expenses		(113,631)	(211,799)	(118,869)	(258,010)
Net FX variation		29,572	17,643	(248,321)	(257,275)
Income before taxes		790,563	1,518,474	649,148	1,130,135
Income tax and social contribution	16(c)	(135,794)	(257,507)	75,287	(90,977)
Current		(25,606)	(23,677)	36,815	18,599
Deferred		(110,188)	(233,830)	38,472	(109,576)
Net income for the periods		654,769	1,260,967	724,435	1,039,158
Attributable to:					
Shareholders of B3		654,769	1,260,967	724,435	1,039,158

(*) Restatement according to Note 2 (e)(ii).

See accompanying note

B3 S.A. - Brasil, Bolsa, Balcão

Statement of income

Quarters and periods ended June 30, 2019 and 2018

(In thousands of reais, unless otherwise stated)

	Notes	Consolidated			
		2019		2018	
		2Q	Accumulated	2Q(*)	Accumulated (*)
Revenues	17	1,421,079	2,799,321	1,250,524	2,362,446
Expenses		(679,548)	(1,344,540)	(531,563)	(1,134,384)
General and administrative					
Personnel and charges		(192,657)	(394,735)	(167,212)	(356,137)
Data processing		(43,946)	(82,604)	(44,570)	(88,005)
Depreciation and amortization	6(b), 7 and 8	(257,573)	(515,135)	(237,238)	(473,287)
Revenue-linked expense		(85,355)	(160,255)	(46,848)	(89,287)
Third-party services		(18,072)	(36,725)	(20,267)	(35,435)
Maintenance		(5,189)	(10,841)	(5,205)	(10,817)
Communications		(784)	(1,498)	(528)	(1,649)
Marketing		(6,156)	(10,330)	(8,245)	(12,378)
Taxes and charges		(4,425)	(7,344)	(3,100)	(5,727)
Board and committee members' compensation		(4,881)	(7,719)	(4,042)	(7,683)
Sundry expenses	18	(60,510)	(117,354)	5,692	(53,979)
Equity in income of investees	6(a)	491	1,986	274	1,279
Financial result	19	55,597	76,378	(57,160)	(79,659)
Financial income		149,165	260,289	121,222	229,512
Financial expenses		(102,348)	(188,035)	(177,883)	(307,242)
Net FX variation		8,780	4,124	(499)	(1,929)
Income before taxes		797,619	1,533,145	662,075	1,149,682
Income tax and social contribution	16(c)	(143,069)	(272,478)	63,132	(109,739)
Current		(33,392)	(39,161)	25,002	428
Deferred		(109,677)	(233,317)	38,130	(110,167)
Net income for the periods		654,550	1,260,667	725,207	1,039,943
Attributable to:					
Shareholders of B3		654,769	1,260,967	724,435	1,039,158
Non-controlling interest		(219)	(300)	772	785
Earnings per share attributable to shareholders of B3 (in R\$ per share)	12(g)				
Basic earnings per share		0.320274	0.615895	0.355088	0.508618
Diluted earnings per share		0.318519	0.612635	0.353208	0.505928

(*) Restatement according to Note 2 (e)(ii).

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of comprehensive income

Quarters and periods ended June 30, 2019 and 2018

(In thousands of reais)

	Notes	B3			
		2019		2018	
		2Q	Accumulated	2Q	Accumulated
Net income for the periods		654,769	1,260,967	724,435	1,039,158
Other comprehensive income to be reclassified to P&L in subsequent periods		(3,211)	(2,125)	32,513	36,253
Translation adjustments					
Exchange rate variation on investment in foreign subsidiary	6(a)	(287)	(120)	735	885
Exchange rate variation on financial assets, net of taxes		(2,138)	2,001	16,997	26,294
		(2,425)	1,881	17,732	27,179
Cash flow hedge					
Cash flow hedging instruments value, net of taxes		10,786	13,157	28,347	25,468
Transfer to P&L of cash flow hedging instrument value, net of taxes		(12,291)	(17,459)	(8,620)	(12,860)
		(1,505)	(4,302)	19,727	12,608
Financial instruments measured at fair value through comprehensive income					
Market to market of other financial assets, net of taxes		786	371	(4,937)	(3,511)
		786	371	(4,937)	(3,511)
Comprehensive income of subsidiary					
Comprehensive income of subsidiary	6(a)	(67)	(75)	(9)	(23)
		(67)	(75)	(9)	(23)
Other comprehensive income not reclassified to P&L in subsequent periods					
Cash flow hedging instruments value, net of taxes		767	(3,345)	(7,908)	(9,928)
Market to market of equity instruments, net of taxes		(15,668)	(1,172)	-	-
		(14,901)	(4,517)	(7,908)	(9,928)
Total comprehensive income for the periods		636,657	1,254,325	749,040	1,065,483
Attributable to:		636,657	1,254,325	749,040	1,065,483
Shareholders of B3		636,657	1,254,325	749,040	1,065,483

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of comprehensive income
Quarters and periods ended June 30, 2019 and 2018
(In thousands of reais)

	Notes	Consolidated			
		2019		2018	
		2Q	Accumulated	2Q	Accumulated
Net income for the periods		654,550	1,260,667	725,207	1,039,943
Other comprehensive income to be reclassified to P&L in subsequent periods		(3,211)	(2,125)	32,513	36,253
Translation adjustments					
Exchange rate variation on investment in foreign subsidiary	6(a)	(287)	(120)	735	885
Exchange rate variation on financial assets, net of taxes		(2,138)	2,001	16,997	26,294
		(2,425)	1,881	17,732	27,179
Cash flow hedge					
Cash flow hedging instruments value, net of taxes		10,786	13,157	28,347	25,468
Transfer to P&L of cash flow hedging instrument value, net of taxes		(12,291)	(17,459)	(8,620)	(12,860)
		(1,505)	(4,302)	19,727	12,608
Financial instruments measured at fair value through comprehensive income					
Market to market of other financial assets, net of taxes		786	371	(4,937)	(3,511)
		786	371	(4,937)	(3,511)
Comprehensive income of subsidiary					
Comprehensive income of subsidiary	6(a)	(67)	(75)	(9)	(23)
		(67)	(75)	(9)	(23)
Other comprehensive income not reclassified to P&L in subsequent periods					
Cash flow hedging instruments value, net of taxes		767	(3,345)	(7,908)	(9,928)
Market to market of equity instruments, net of taxes		(15,668)	(1,172)	-	-
		(14,901)	(4,517)	(7,908)	(9,928)
Total comprehensive income for the periods		636,438	1,254,025	749,812	1,066,268
Attributable to:		636,438	1,254,025	749,812	1,066,268
Shareholders of B3		636,657	1,254,325	749,040	1,065,483
Non-controlling interests		(219)	(300)	772	785

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of changes in equity
Period ended June 30, 2019
(In thousands of reais)

Attributable to shareholders of B3											
Notes	Capital	Capital reserve	Revaluation reserve (Note 12(c))	Income reserves (Note 12(e))		Treasury shares (Note 12(b))	Other comprehensive income	Retained earnings	Total	Non-controlling shareholders	Total equity
				Legal reserve	Statutory reserve						
Balances at December 31, 2018	3,548,655	18,066,178	18,431	3,453	3,519,990	(165,635)	41,897	-	25,032,969	11,227	25,044,196
Translation adjustments	-	-	-	-	-	-	1,881	-	1,881	-	1,881
Cash flow hedge	-	-	-	-	-	-	(4,302)	-	(4,302)	-	(4,302)
Financial instruments measured at fair value through comprehensive income	-	-	-	-	-	-	371	-	371	-	371
Comprehensive income of subsidiary	6(a)	-	-	-	-	-	(75)	-	(75)	-	(75)
Market to Market of equity instruments, net of taxes	-	-	-	-	-	-	(4,517)	-	(4,517)	-	(4,517)
Total comprehensive income	-	-	-	-	-	-	(6,642)	-	(6,642)	-	(6,642)
Realization of revaluation reserve - subsidiary	-	-	(293)	-	-	-	-	293	-	-	-
Income from adoption of IFRS 16/CPC 06 (R2)	3(b)	(1,140)	-	-	-	-	-	-	(1,140)	-	(1,140)
Transfer of treasury shares - stock grant plan	15(a)	(36,887)	-	-	-	36,887	-	-	-	-	-
Recognition of stock grant plan and stock option	-	42,505	-	-	-	366	-	-	42,871	-	42,871
Noncontrolling interests of BLK	-	-	-	-	-	-	-	-	-	2,375	2,375
Net income for the period	-	-	-	-	-	-	-	1,260,967	1,260,967	(300)	1,260,667
Allocations of profit:											
Dividends	12(f)	-	-	-	-	-	-	(211,150)	(211,150)	-	(211,150)
Interest on Equity	12(f)	-	-	-	-	-	-	(784,999)	(784,999)	-	(784,999)
Balances at June 30, 2019	3,548,655	18,070,656	18,138	3,453	3,519,990	(128,382)	35,255	265,111	25,332,876	13,302	25,346,178

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of changes in equity
Period ended June 30, 2018
(In thousands of reais)

Attributable to shareholders of B3											
Income reserves (Note 15(e))											
Notes	Capital	Capital reserve	Revaluation reserves (Note 15(c))	Legal reserve	Statutory reserves	Treasury shares (Note 15(b))	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balances at December 31, 2017	3,198,655	18,399,366	19,018	3,453	2,866,959	(221,759)	34,002	-	24,299,694	10,320	24,310,014
Translation adjustments	-	-	-	-	-	-	27,179	-	27,179	-	27,179
Cash flow hedge	-	-	-	-	-	-	12,608	-	12,608	-	12,608
Financial instruments measured at fair value through comprehensive income	-	-	-	-	-	-	(3,511)	-	(3,511)	-	(3,511)
Comprehensive income (loss) of subsidiary	-	-	-	-	-	-	(23)	-	(23)	-	(23)
Market to Market of equity instruments, net of taxes	-	-	-	-	-	-	(9,928)	-	(9,928)	-	(9,928)
Total comprehensive income	-	-	-	-	-	-	26,325	-	26,325	-	26,325
Realization of revaluation reserves - subsidiaries	-	-	(293)	-	-	-	-	293	-	-	-
Transfer of treasury shares – stock grant plan	15(a)	(52,095)	-	-	-	52,095	-	-	-	-	-
Recognition of stock grant plan and stock option plan	-	38,015	-	-	-	366	-	-	38,381	-	38,381
Net income for the period	-	-	-	-	-	-	-	1,039,158	1,039,158	785	1,039,943
Allocations of profit: Interest on Equity	-	-	-	-	-	-	-	(652,000)	(652,000)	-	(652,000)
Balances at June 30, 2018	3,198,655	18,385,286	18,725	3,453	2,866,959	(169,298)	60,327	387,451	24,751,558	11,105	24,762,663

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of cash flow Periods ended June 30, 2019 and 2018 (In thousands of reais)

Cash flow from operating activities	Notes	B3		Consolidated
		Accumulated 2019	Accumulated 2018	Accumulated 2018
Net income for the period		1,260,967	1,039,158	1,260,667
Adjustments for:				
Depreciation/amortization	6(b), 7 and 8	513,490	472,521	515,135
Deferred income tax and social contribution		233,830	109,576	233,317
Equity pick-up	6(a)	(32,804)	(217,498)	(1,986)
Stock option and stock grant plan expenses	15(a)	41,712	38,021	42,505
Interest expenses	19	172,979	218,004	147,646
Provision for tax, civil and labor contingencies	11(e)	98,389	23,097	98,646
Derivative financial instruments – Swap		7,259	(269,864)	7,259
Exchange rate variation - Fair value hedge	9	(26,071)	335,254	(26,071)
Exchange rate variation - loans taken	9	(19,656)	253,401	(6,390)
Marked to market of fundraising	9	33,618	(36,768)	33,618
Monetary adjustment of judicial deposits		(17,252)	(6,659)	(17,212)
Others		2,474	1,806	(4,763)
Adjusted Net Income		2,268,935	1,960,049	2,282,371
Variation in financial investments, marketable securities and collateral for transactions		(2,299,465)	(983,825)	(2,090,032)
Effect of exchange rate variation on cash flow hedge		343	7,322	343
Variation in in taxes to be offset and recoverable		(137,669)	141,017	(140,231)
Variation in accounts receivable		(21,385)	(24,270)	(21,587)
Variation in other receivables		(14,494)	20,531	(27,711)
Variation in prepaid expenses		(10,713)	1,037	(11,175)
Variation in judicial deposits		83,724	282	83,664
Variation in earnings and rights on securities in custody		4,341	618	4,341
Variation in suppliers		(23,629)	(18,622)	(23,140)
Variation in taxes and contributions payable		20,634	(45,173)	24,151
Variation in salaries and social charges		(39,228)	(37,703)	(39,038)
Variation in other liabilities		47,713	(24,121)	(130,090)
Variation in revenues to be allocated		26,723	22,409	26,723
Variation in provision for tax, civil, and labor contingencies	11(e)	(9,339)	(4,440)	(12,024)
Net cash from (used in) operating activities		(103,509)	1,015,111	(73,435)
Cash flow from investing activities				
Sale of fixed assets		188	743	188
Payment for purchase of property and equipment	7	(36,320)	(45,271)	(36,767)
Interest on equity received	6(a)	39,621	5,304	-
Settlement of derivative financial instrument – NDF		(1,672)	(31,246)	(1,672)
Subsidiaries capital increase	6(a)	(11,370)	(9,494)	-
Purchase of software and projects	8	(63,059)	(58,031)	(63,434)
Acquisition of subsidiaries	6(a)	(51,775)	-	(51,775)
Cash effect - acquisition of subsidiary		-	-	597
Net cash used in investing activities		(124,387)	(137,995)	(152,863)
Cash flow from financing activities				
Disposal of treasury shares - stock options exercised		360	360	360
Issue of debentures	9	1,200,000	-	1,200,000
Debenture funding cost	9	(969)	-	(969)
Amortization of principal and interest on loans	9	(140,233)	(211,147)	(139,897)
Payment of interest on equity		(812,217)	(719,998)	(812,217)
Net cash from (used in) financing activities		246,941	(930,785)	247,277
Net increase (decrease) in cash and cash equivalents		19,045	(53,669)	20,979
Balance of cash and cash equivalents at beginning of period	4(a)	83,125	152,986	121,000
Balance of cash and cash equivalents at end of period	4(a)	102,170	99,317	141,979

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Statement of value added
Periods ended June 30, 2019 and 2018
(In thousands of reais)

	Notes	B3		Consolidated	
		Accumulated 2019	Accumulated 2018 (*)	Accumulated 2019	Accumulated 2018 (*)
1 – Revenues	17	3,056,712	2,576,985	3,111,740	2,620,737
Registration, trading, clearance and settlement system		2,723,480	2,274,243	2,746,522	2,291,873
Technology, data and services		333,232	302,742	365,218	328,864
2 - Goods and services acquired from third parties		413,821	284,546	419,607	291,550
Expenses (a)		413,821	284,546	419,607	291,550
3 - Gross value added (1-2)		2,642,891	2,292,439	2,692,133	2,329,187
4 - Retentions		513,490	472,521	515,135	473,287
Depreciation and amortization	6(b), 7 and 8	513,490	472,521	515,135	473,287
5 - Net value added produced by the Company (3-4)		2,129,401	1,819,918	2,176,998	1,855,900
6 - Value added received in transfer		288,700	442,372	262,275	230,791
Equity in income of investees	6(a)	32,804	217,498	1,986	1,279
Financial income	19	255,896	224,874	260,289	229,512
7 - Total value added to be distributed (5+6)		2,418,101	2,262,290	2,439,273	2,086,691
8 - Distribution of value added		2,418,101	2,262,290	2,439,273	2,086,691
Personnel and charges		382,226	348,225	394,735	356,137
Board and committee members' compensation		7,719	7,683	7,719	7,683
Taxes, charges and contributions (b)					
Federal		521,758	309,178	539,676	330,208
Municipal		51,275	42,761	52,565	43,549
Financial expenses and net exchange rate variation	19	194,156	515,285	183,911	309,171
Interest on equity and dividends	12(f)	996,149	652,000	996,149	652,000
Retained net income for the periods		264,818	387,158	264,518	387,943

(a) Expenses (excludes personnel, depreciation and amortization, taxes and charges and board and committee members' compensation).

(b) Includes: taxes and charges, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS), Service Tax (ISS), current and deferred income tax and social contribution (IRPJ and CSLL).

(*) Restatement according to Note 2 (e)(ii).

See accompanying notes.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

1. Operations

B3 S.A. - Brasil, Bolsa, Balcão ("B3") is a publicly-traded corporation headquartered in the city of São Paulo.

2. Preparation and presentation of quarterly information

This quarterly information was approved by the Board of Directors of B3 on August 8, 2019.

The quarterly information was prepared and is presented in accordance with accounting practices adopted in Brazil. In addition, the quarterly information contains the minimum disclosure requirements prescribed by CPC 21 (R1) - Interim Financial Reporting, as well as other information considered relevant. That information does not include all requirements for annual financial statements and, therefore, should be read in conjunction with the individual and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil, issued by Brazil's Financial Accounting Standards Board - FASB ("CPC"), and approved by the Brazilian Securities and Exchange Commission (CVM), for the year ended December 31, 2018. Accordingly, this quarterly information at June 30, 2019 was not subject to full divulgation, by reason of redundancy in relation to information already presented in the annual financial statements, and as provided for in the CVM/SNC/SEP Circular Memorandum No. 003/2011.

The preparation of quarterly information requires the use of certain critical accounting estimates and also the exercise of judgment in the process of applying the accounting policies of B3. No changes have been recorded in assumptions and judgments by in using such estimates for preparing this quarterly information, in relation to those applied in the financial statements at December 31, 2018, as disclosed on February 21, 2019.

All significant information used by management in managing B3 is evidenced in this quarterly information.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

a) Consolidated quarterly information

The consolidated quarterly information includes the balances of B3 and its subsidiaries, as well as special purpose entities comprising investment funds, as follows:

	% - Ownership Interest	
	<u>06/30/2019</u>	<u>12/31/2018</u>
Direct subsidiaries and controlled entities:		
Banco B3 S.A. ("Banco B3")	100.00	100.00
Bolsa de Valores do Rio de Janeiro ("BVRJ")	86.95	86.95
BM&FBOVESPA (UK) Ltd ("UK Ltd")	100.00	100.00
BM&FBOVESPA BRV LLC ("BRV LLC")	100.00	100.00
B3 Inova USA LLC ("B3 Inova")	100.00	100.00
CETIP Info Tecnologia S.A. ("CETIP Info")	100.00	100.00
CETIP Lux S.à.r.l. ("CETIP Lux")	100.00	100.00
Portal de Documentos S.A. ("Portal de Documentos")	100.00	-
BLK Sistemas Financeiros Ltda. ("BLK")	75.00	-

	% - Ownership Interest	
	<u>06/30/2019</u>	<u>12/31/2018</u>
Indirect subsidiaries and controlled entities:		
Blank Sys Consultoria & sistemas Ltda.	99.99	-

Exclusive investment funds:

BB Pau Brasil Fundo de Investimento Renda Fixa ("BB Pau Brasil FI RF")
Bradesco Fundo de Investimento Renda Fixa Longo Prazo Eucalipto ("Bradesco FI RF LP Eucalipto")
Imbuia FI Renda Fixa Referenciado DI ("Imbuia FI RF DI")

b) Individual quarterly information

In the individual quarterly information (B3), subsidiaries are recorded using the equity method. The same adjustments are made to both individual and consolidated quarterly information to reach the same P&L and equity attributable to shareholders of the parent company.

c) Functional currency

The individual and consolidated quarterly information was prepared and are presented in Brazilian reais, which is the functional currency of B3.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

d) Business combination

(i) BLK Sistemas Financeiros Ltda.

As disclosed in the Notice to the Market dated March 8, 2019, B3 completed the acquisition of a 75% interest in BLK after all condition's precedent was met. This transaction was completed on March 7, 2019 (acquisition date) and includes purchase (by B3) and sale options (by the founding member of BLK, who will remain as the executive responsible for the transaction) to be settled in cash from the remaining 25% of capital, to be exercised under the terms of the transaction, including from December 2023.

The fair value of the consideration was R\$13,395 fully paid in cash.

The BLK, founded in 2008, is one of the leading companies in the algorithms sector in Brazil, specialized in electronic & algorithmic trading, with emphasis on the creation and development of software and order execution algorithms for the capital markets and of financial derivatives, whose major customers are institutional investors and brokers. BLK main platform is RoboTrader.

This acquisition is in line with B3's strategy to strengthen the relationship and deliver more complete solutions to its customers by expanding its product portfolio.

Until the completion of this quarterly information, the transaction costs incurred are R\$2,327 and were recorded in P&L of B3.

After the completion of referred to transaction, B3 recorded a negative result of R\$1,089 as a result of the equity in income of BLK between the acquisition date and this quarterly information reporting date.

Identifiable net assets acquired and goodwill

The difference between amount paid for the acquisition for the control of BLK and its net assets at fair value resulted in the recognition of goodwill for future profitability and tangible and intangible assets.

The allocation of the amount paid was based on a preliminary valuation of the fair value of the net assets acquired of BLK and is under review by Management and independent advisors. B3 expects to complete these studies in the coming months.

The fair value of the identifiable assets acquired, and liabilities assumed in the business combination was estimated using the projected discounted cash flow method and replacement cost. The fair value estimates using the discounted cash flow method were based on a discount rate of 17.11%. The portion of unidentifiable net assets of this business combination was allocated as goodwill.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

The purchase price allocated is as follows:

Base Date 03/07/2019

Purchase Price Allocation (PPA)

a) Purchase price	13,395
b) BLK's negative equity	(49)
c) Plus (less) value of assets and liabilities	7,326
Property and equipment	591
Platform (1)	10,509
Deferred tax liabilities	(3,774)
d) Interest held by non-controlling interests on identifiable net assets (25%)	(1,819)
a-b-c-d = Goodwill	7,937

(1) RoboTrader platform has an estimated useful life of 7 years.

The goodwill of R\$7,937 represents the expected future economic benefit in the business combination. Currently, Management has no intention to merger BLK, therefore there is no estimate for tax deduction.

(ii) *Portal de Documentos S.A.*

As disclosed in the material news release of June 11, 2019, B3 has completed the acquisition of 100% interest in Portal de Documentos, following all the conditions precedent for the transaction, including confirmation of approval by the Brazilian antitrust enforcement agency ("CADE").

The transaction was concluded on June 11, 2019 (date of acquisition), and completion of the stage of fulfillment of conditions precedent resulted in adjustments to the economic terms of the transaction. The total final amount for the acquisition of Portal de Documentos may reach R\$155,000, with a portion in cash and the remaining balance over a period of up to 4 years from the closing of the transaction, depending on the fulfillment of contractual conditions and the achievement of financial and operational goals.

The fair value of the portion paid in cash was R\$38,380, adjusted by the net debt of Portal de Documentos estimated at R\$2,183, which will be definitively determined within 90 days from the date of the transaction, when B3 will make the required adjustment. Additionally, on the acquisition date, was recognized the amount of R\$50,000 relating future installments (conditional and variable). The estimated fair value of these installments was calculated using Montecarlo Method (MMC), was recognized and is based on the discount rate equivalent to the long-term CDI and the estimated future revenues of the Portal de Documentos, adjusted for volatility of about 30%.

Founded in 2007, Portal de Documentos specializes in digital solutions for credit cycle participants, with procedures for collection of vehicle and real estate loans, through electronic notices and subpoenas, electronic protest, property consolidation and information package for filing of legal proceedings. In addition, it also conducts the electronic registration in notaries of property contracts, movable property, equipment and documents in general, to make such registration public and legally valid before third parties.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

This acquisition is in line with B3's strategy of adding value to its customers, as it will increase and diversify the products offered to banks that manage vehicle and real estate loan portfolios.

Until the completion of this quarterly information, transaction costs incurred amount to R\$2,193 and were recorded in B3's statement of profit or loss.

Following the conclusion of the above-mentioned transaction, B3 recorded a negative result of R\$945 due to the equity pickup of Portal de Documentos between the acquisition date and this quarterly information date.

Identifiable net assets acquired and goodwill

The difference between the consideration transferred in exchange for the controlling interest of Portal de Documentos and its net assets at fair value resulted in the recognition of goodwill and intangible and tangible assets.

The allocation of the amount paid was based on a preliminary fair value assessment of the net assets acquired from Portal de Documentos and it is under review by management and independent advisors. B3 expects to complete these studies in the coming months.

The fair value of identifiable assets acquired, and liabilities assumed in the business combination was estimated using the discounted cash flow projection method and replacement cost. Fair value estimates using the discounted cash flow method were based on a discount rate of 23.67%. The portion of unidentifiable net assets of this business combination was allocated as goodwill.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

The allocated purchase price is as follows:

Base Date 06/11/2019

Purchase Price Allocation (100%)

a) Purchase price	88,380
Cash payment	38,380
Contingent consideration recognized	50,000
b) Portal de Documentos negative equity	(2,394)
c) Plus (less) value of assets and liabilities	489
Property and equipment	740
Deferred tax liabilities	(252)
d) intangible and tangible assets	21,120
Platform (1)	15,000
Non-contractual relationship with clients	17,000
Deferred tax liabilities	(10,880)
a-b-c-d = Goodwill	69,165

- (1) The estimated useful lives of the platform and of non-contractual relationship with customers are 7 and 6.6 years, respectively.

The goodwill of R\$69,165 represents the future economic benefit expected from the business combination. Currently does not intend to merger Portal de Documentos, therefore, there are no tax deduction estimates.

e) Restatement of prior periods

(i) New revenue segmentation

Beginning January 1, 2019, B3 started to adopt a new revenue disclosure structure, improving the way different activities and market dynamics are presented and grouped. This change reflected only in the presentation of revenues, not modifying the types of services provided, amounts charged and accounting practices adopted.

As a result of the adoption of the new revenue presentation structure, for the purpose of comparison of quarterly information, management is restating the balances as of June 30, 2018 of Notes "17 - Revenues" and "20 - Segment information".

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

The conciliation between the current and originally stated balances is as follows:

Note 17 – Revenues

2º Quarter 2018													
New segmentation	Former segmentation												
	BM&F Segment		Bovespa Segment		CETIP UTVM Segment		CETIP UFIN Segment		Other operating income		Total B3	Total Consolidated	
	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated			
	Gross revenue												
	Listed segment	391,551	391,546	395,829	395,829	-	-	-	-	72,990	72,990	860,370	860,365
	Shares and variable income instruments	38,498	38,498	395,829	395,829	-	-	-	-	72,990	72,990	507,317	507,317
	Trading and post-trading	38,498	38,498	390,854	390,854	-	-	-	-	-	-	429,352	429,352
	Depository of variable income	-	-	-	-	-	-	-	-	29,103	29,103	29,103	29,103
	Share loan	-	-	-	-	-	-	-	-	27,870	27,870	27,870	27,870
	Solutions to issuers	-	-	4,975	4,975	-	-	-	-	16,017	16,017	20,992	20,992
Interest, currencies and goods	353,053	353,048	-	-	-	-	-	-	-	-	353,053	353,048	
Trading and post-trading	353,053	353,048	-	-	-	-	-	-	-	-	353,053	353,048	
OTC segment	3,601	3,601	97	97	205,807	205,807	-	-	29,417	29,417	238,922	238,922	
Fixed income instruments	-	-	97	97	128,936	128,936	-	-	29,417	29,417	158,450	158,450	
Derivatives	3,601	3,601	-	-	40,547	40,547	-	-	-	-	44,148	44,148	
Other	-	-	-	-	36,324	36,324	-	-	-	-	36,324	36,324	
Infrastructure for financing segment	-	-	-	-	-	-	111,494	120,153	-	-	111,494	120,153	
Technology, Data and Service Segment	-	-	3,516	3,516	96,398	96,398	4,982	4,981	45,033	61,837	149,929	166,732	
Technology and access	-	-	-	-	91,782	91,782	-	-	11,169	11,169	102,951	102,951	
Data and analytics	-	-	-	-	2,056	2,056	4,806	4,806	30,266	30,266	37,128	37,128	
Bank B3	-	-	-	-	-	-	-	-	-	7,913	-	7,913	
Others	-	-	3,516	3,516	2,560	2,560	176	175	3,598	12,489	9,850	18,740	
Total	395,152	395,147	399,442	399,442	302,205	302,205	116,476	125,134	147,440	164,244	1,360,715	1,386,172	

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	Former segmentation										Accumulated 2018	
	BM&F Segment		Bovespa Segment		CETIP UTVM Segment		CETIP UFIN Segment		Other operating income		Total B3	Total Consolidated
	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated		
Gross revenue	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated	B3	Consolidated	Total B3	Total Consolidated
Listed segment	697,474	697,474	746,627	746,627	-	-	-	-	145,433	145,549	1,589,534	1,589,640
Shares and variable income instruments	67,340	67,340	746,627	746,627	-	-	-	-	145,433	145,549	959,400	959,516
Trading and post-trading	67,340	67,340	740,222	740,222	-	-	-	-	-	-	807,562	807,562
Depository of variable income	-	-	-	-	-	-	-	-	58,668	58,668	58,668	58,668
Share loan	-	-	-	-	-	-	-	-	55,455	55,455	55,455	55,455
Solutions to issuers	-	-	6,405	6,405	-	-	-	-	31,310	31,426	37,715	37,831
Interest, currencies and goods	630,134	630,124	-	-	-	-	-	-	-	-	630,134	630,124
Trading and post-trading	630,134	630,124	-	-	-	-	-	-	-	-	630,134	630,124
OTC segment	6,885	6,885	211	211	400,299	400,299	-	-	59,032	59,032	466,427	466,427
Fixed income instruments	-	-	211	211	253,340	253,340	-	-	59,032	59,032	312,583	312,583
Derivatives	6,885	6,885	-	-	74,997	74,997	-	-	-	-	81,882	81,882
Other	-	-	-	-	71,962	71,962	-	-	-	-	71,962	71,962
Infrastructure for financing segment	-	-	-	-	-	-	218,282	235,806	-	-	218,282	235,806
Technology, Data and Service Segment	-	-	6,909	6,909	190,814	190,814	9,627	9,626	95,392	121,515	302,742	328,864
Technology and access	-	-	-	-	181,803	181,803	-	-	22,354	22,354	204,157	204,157
Data and analytics	-	-	-	-	3,999	3,999	9,451	9,451	58,175	58,175	71,625	71,625
Bank B3	-	-	-	-	-	-	-	-	-	15,545	-	15,545
Others	-	-	6,909	6,909	5,012	5,012	176	175	14,863	25,441	26,960	37,537
Total	704,359	704,349	753,747	753,747	591,113	591,113	227,909	245,432	299,857	326,096	2,576,985	2,620,737

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Note 20 - Segment information

	June 30, 2018					
	Consolidated					
	BM&F Segment	Bovespa Segment	Institutional and Corporate Products Segment	CETIP UTM Segment	CETIP UFIM Segment	Related to combination with CETIP
						Total
Net revenue	633,644	677,753	309,762	527,359	213,928	-
Listed segment	633,644	671,598	124,798	-	-	-
OTC segment	-	-	53,490	355,305	-	-
Infrastructure for financing segment	-	-	16,533	-	205,507	-
Technology, Data and Service Segment	-	6,155	114,941	172,054	8,421	-
Adjusted operating expense	(102,386)	(158,980)	(117,290)	(66,248)	(106,289)	(18,055)
Listed segment	(102,174)	(148,673)	(51,346)	-	-	(9,900)
OTC segment	(212)	-	(20,205)	(56,651)	-	(2,524)
Infrastructure for financing segment	-	-	(1,938)	-	(102,673)	(3,427)
Technology, Data and Service Segment	-	(10,307)	(43,801)	(9,597)	(3,616)	(2,204)
Long-term incentive	(10,769)	(13,919)	(14,736)	(6,512)	(2,720)	(11,958)
Listed segment	(10,727)	(13,528)	(8,996)	-	-	(8,172)
OTC segment	(42)	-	(1,471)	(4,819)	-	(1,556)
Infrastructure for financing segment	-	-	(1)	-	(2,181)	(536)
Technology, Data and Service Segment	-	(391)	(4,268)	(1,693)	(539)	(1,694)
Other provisions	(7,971)	(7,756)	(8,624)	(5,359)	(1,525)	-
Listed segment	(7,971)	(7,749)	(3,667)	-	-	-
OTC segment	-	-	(663)	(2,352)	-	-
Infrastructure for financing segment	-	-	(11)	-	(1,400)	-
Technology, Data and Service Segment	-	(7)	(4,283)	(3,007)	(125)	-
Income before depreciation and amortization	512,518	497,098	169,112	449,240	103,394	(30,013)
Depreciation and amortization	(28,040)	(45,749)	(15,915)	(336,888)	(46,695)	-
Listed segment	(27,976)	(41,949)	(5,975)	-	-	-
OTC segment	(64)	-	(5,504)	(290,865)	-	-
Infrastructure for financing segment	-	-	(1)	-	(46,190)	-
Technology, Data and Service Segment	-	(3,800)	(4,435)	(46,023)	(505)	-
Income after depreciation and amortization	484,478	451,349	153,197	112,352	56,699	(30,013)
Equity in income of investees						1,279
Financial result						(79,659)
Income tax and social contribution						(109,739)
Net income for the period						1,039,943

(ii) Revenue-linked expenses and expenses related to the business combination with CETIP

In order to continuously improve the information prepared by B3, in 2019, two groups of expenses of the income statement were reclassified. For purposes of comparison of quarterly information, Management is restating the balances at June 30, 2018 of the income statement and statement of value added.

Presentation of revenue-linked expenses

From the presentation of the first quarter of 2019, B3 began to segregate expenses revenue-linked expenses in the income statement, substantially composed of the payment to the Registers for services rendered in the Infrastructure for Financing Segment.

Expenses related to the business combination with CETIP

As a result of the completion of the integration with CETIP, the expenses related to the business combination will no longer be presented in the income statement on a segregated basis. The expenses related to shares granted in 2017, in the context of the business combination with CETIP, are now recognized under "Personnel and related charges".

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

The conciliation between the current and originally stated balances is as follows:

Expenses	B3			B3		
	2Q 2018	Reclassification	2Q 2018 (Restated)	Accumulated 2018	Reclassification	Accumulated 2018 (Restated)
General and administrative						
Personnel and charges	(160,009)	(3,429)	(163,438)	(336,136)	(12,089)	(348,225)
Data processing	(45,274)	1,254	(44,020)	(89,819)	2,965	(86,854)
Depreciation and amortization	(236,858)	-	(236,858)	(472,521)	-	(472,521)
Revenue-linked expense	-	(46,177)	(46,177)	-	(87,929)	(87,929)
Third-party services	(51,887)	31,992	(19,895)	(97,621)	62,848	(34,773)
Maintenance in general	(4,614)	(7)	(4,621)	(9,605)	(3)	(9,608)
Communications	(1,109)	597	(512)	(2,848)	1,235	(1,613)
Promotion and publicity	(7,328)	(915)	(8,243)	(11,355)	(963)	(12,318)
Taxes and charges	(2,826)	71	(2,755)	(4,372)	(588)	(4,960)
Board and committee members	(4,042)	-	(4,042)	(7,683)	-	(7,683)
Related to business combination with Cetip	(14,956)	14,956	-	(30,013)	30,013	-
Sundry expenses	5,291	1,658	6,949	(55,962)	4,511	(51,451)
Expenses	(523,612)	-	(523,612)	(1,117,935)	-	(1,117,935)

Expenses	Consolidated			Consolidated		
	2Q 2018	Reclassification	2Q 2018 (Restated)	Accumulated 2018	Reclassification	Accumulated 2018 (Restated)
General and administrative						
Personnel and charges	(163,783)	(3,429)	(167,212)	(344,048)	(12,089)	(356,137)
Data processing	(45,824)	1,254	(44,570)	(90,970)	2,965	(88,005)
Depreciation and amortization	(237,238)	-	(237,238)	(473,287)	-	(473,287)
Revenue-linked expense	-	(46,848)	(46,848)	-	(89,287)	(89,287)
Third-party services	(52,930)	32,663	(20,267)	(99,640)	64,205	(35,435)
Maintenance in general	(5,198)	(7)	(5,205)	(10,813)	(4)	(10,817)
Communications	(1,125)	597	(528)	(2,884)	1,235	(1,649)
Promotion and publicity	(7,330)	(915)	(8,245)	(11,415)	(963)	(12,378)
Taxes and charges	(3,171)	71	(3,100)	(5,139)	(588)	(5,727)
Board and committee members	(4,042)	-	(4,042)	(7,683)	-	(7,683)
Related to business combination with Cetip	(14,956)	14,956	-	(30,013)	30,013	-
Sundry expenses	4,034	1,658	5,692	(58,492)	4,513	(53,979)
Expenses	(531,563)	-	(531,563)	(1,134,384)	-	(1,134,384)

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

3. Summary of significant accounting practices

a) *Financial instruments*

First-time adoption of CPC 48/IFRS 9 – Financial Instruments relating to hedge

B3 adopted CPC 48/IFRS 9 - Financial Instruments for hedge accounting at January 1, 2019 prospectively. The adoption of the respective accounting pronouncement (CPC) enabled B3 to be more efficient in managing risks that could affect its P&L. All existing hedging relationships were qualified for hedge accounting and there were no significant ineffective elements, therefore no rebalancing between hedging instruments and hedged items was required.

B3 uses derivative financial instruments to hedge its assets and liabilities against market risks, especially those related to foreign currencies.

Derivative financial instruments designated in hedging transactions are initially recognized at fair value on the date in which the derivative agreement is entered into, being subsequently revaluated also at fair value. Derivatives are recorded as financial assets when the financial instrument fair value is positive, and as financial liabilities when fair value is negative.

Any gains or losses from changes in fair value of derivatives over the fiscal year are recorded directly in P&L, except for the effective portion of the cash flow hedge, which is recognized directly in equity under other comprehensive income, and subsequently reclassified to P&L when the hedge item affects P&L.

Hedge accounting

Upon entering a hedging transaction, B3 prepares formal documentation containing: (i) hedge objective; (ii) hedge type; (iii) risk management strategy; (iv) nature of hedged risk; (v) identification of hedged item; (vi) identification of hedging instrument; and (vii) prospective effectiveness assessment.

Any imbalance between the hedged item index and the hedging instrument that is not in accordance with the hedge purpose of B3 is adjusted so that the index goes back to the standards established in the hedging strategy.

Fair value hedge

Any gain or loss from changes in the fair value of derivative instruments designated as hedging instruments, as well as hedged assets or liabilities (hedged item) are recognized in financial result, however, if the hedged asset is an equity instrument designated upon initial recognition as measured at fair value through other comprehensive income, the gain or loss on the hedging instrument is recognized in other comprehensive income.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Cash flow hedge

Any gain or loss in the hedging instrument related to the effective hedge portion is recognized under equity, in “other comprehensive income”, net of tax effects. Consequently, the exchange rate variation in hedging instruments, previously recognized in financial result prior to its recognition as a hedging instrument, accumulates in equity and is transferred to P&L for the same period and the same account group under which the hedged transaction is recognized. When the hedged transaction implies recognition of a nonfinancial asset, gains and losses recognized in equity are transferred and included in the initial measurement of the asset cost. The non-effective portion of the hedge is immediately recognized in P&L.

Hedge effectiveness analysis

B3 adopts the dollar offset method for prospective effectiveness test, which takes into consideration the ratio at fair value or present value of accumulated gains or losses in the hedging instrument with gains or losses on hedged item for hedged risk. The approach used for the analyses consists of the benchmark rate approach.

b) First-time adoption of IFRS 16/CPC 06 (R2) - Leases

B3 first-time adopted IFRS 16/CPC 06 (R2) - Leases, effective for annual periods beginning on or after January 1, 2019, which replaces IAS 17 - Leases that was effective until the year ended December 31, 2018.

Under the scope of IFRS 16/CPC 06 (R2), B3 decided not to restate comparative information for exercises of 2018, therefore, the information corresponding to leases is not comparable with the information presented for the exercises of the 2019.

B3 recognizes a lease liability to make payments and an asset representing the right to use the underlying asset over the lease term. The interest expenses on the lease liability and the depreciation expense on the right-of-use asset are recognize separately in the income statement. Prior to the adoption of CPC 06 (R2), B3 recognized real estate leases as rental expense in P&L. B3 disregarded the ‘low-value asset’ and “short-term” leases.

Lease liability is revalued on the occurrence of events such as change in lease term, change in future lease payments, change in an index or rate used to determine the payments. The revaluation amount of the lease liability is recognized as an adjustment to the right-of-use asset.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Transition to CPC 06 (R2)

The impacts arising from the first-time adoption on financial statements are as follows:

	B3	Consolidated
	01/01/2019	01/01/2019
Impact on balance sheet		
Assets	17,739	20,955
Property and equipment (right-of-use assets)	17,739	20,955
Liabilities	(18,879)	(22,095)
Lease liabilities	(18,879)	(22,095)
Net impact on equity	1,140	1,140
Impact on income statement	06/30/2019	06/30/2019
Depreciation included in general and administrative expenses	(2,345)	(2,452)
Operating lease expense excluded from general and administrative expenses	2,688	2,805
Income before financial income and expenses	343	353
Financial expenses	(568)	(602)
Tax expense	(77)	(85)
Net impact on P&L	(302)	(334)

c) Business combination

B3 accounts for business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interests in the acquiree. Costs directly attributable to the acquisition are accounted for as expenses, as incurred.

B3 measures the assets acquired and the liabilities assumed in order to classify and allocate them according to the contractual terms, economic circumstances and the relevant conditions on the acquisition date.

Any contingent consideration to be transferred by B3 is recognized at fair value on the acquisition date. Subsequent changes in the fair value of the contingent consideration to be considered as an asset or a liability and that are not considered adjustments of the measurement period are recognized in the statement of profit or loss.

Goodwill is initially measured as the transferred payment exceeding amount in relation to the net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference will be recognized as a gain in the income statement.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is allocated to each cash-generating units that are expected to benefit from the synergies of combination.

d) *Significant accounting estimates and judgments*

The preparation of financial statements requires the use of certain critical accounting estimates as well as the exercise of judgment in the process of applying B3's accounting policies. Those more complex areas that require a higher level of judgment, as well as the areas in which assumptions and estimates are significant to the consolidated financial statements are the following:

- *Equity pickup – Note 6(a)*
- *Impairment of assets – Notes 7 and 8*
- *Classification and fair value calculation of financial instruments – Note 4*
- *Incentive based on equity instruments – Notes 15(a), (b) and (c)*
- *Provision for tax, civil and labor contingencies, contingent assets and liabilities – Note 11*
- *Estimated useful life of property and equipment and intangible assets – Notes 7 and 8*
- *Contingent consideration – Note 3(c) and 10*

4 Cash and cash equivalents, financial investments, marketable securities and derivative financial instruments

a) *Cash and cash equivalents*

Description	B3		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and banks – deposits in local currency	23,198	21,078	553	868
Bank checking account in foreign currency	78,972	62,047	141,426	120,132
Cash and cash equivalents	102,170	83,125	141,979	121,000
Bank deposits in foreign currency - Third-party funds (1)	378,274	208,687	378,274	208,687
Total cash and cash equivalents	480,444	291,812	520,253	329,687

(1) Refers to the restricted resources of third parties linked to the full settlement of derivative transactions (Clearing BM&FBOVESPA) and exchange transactions (Clearing Exchange).

Cash and cash equivalents are held with top-tier financial institutions in Brazil or abroad.

Deposits in foreign currency are primarily in US Dollars and Euros.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

b) Financial investments and marketable securities

The breakdown of financial investments and marketable securities by category, nature and maturity is as follows:

Description						B3	
	No maturity	Until 3 months	Above 3 months and up to 12 months	Above 12 months and up to 5 years	Over 5 years	06/30/2019	31/12/2018
Financial assets measured at fair value through profit or loss							
Financial investment fund (1)	7,802,558	-	-	-	-	7,802,558	5,046,487
Federal government securities							
Financial Treasury Bills	-	-	-	102	-	102	99
Other investments (3)	18,595	-	-	-	-	18,595	17,002
	7,821,153	-	-	102	-	7,821,255	5,063,588
Financial assets measured at fair value through other comprehensive income							
Federal government securities							
Financial Treasury Bills	-	-	135,336	1,161,262	335,355	1,631,953	1,585,986
National Treasury Bills	-	8,426	-	11,910	-	20,336	160,400
National Treasury Notes	-	-	-	139,740	-	139,740	138,425
Shares - Minority interest (4)	345,419	-	-	-	-	345,419	344,162
	345,419	8,426	135,336	1,312,912	335,355	2,137,448	2,228,973
Total	8,166,572	8,426	135,336	1,313,014	335,355	9,958,703	7,292,561
Current						8,310,334	5,639,356
Noncurrent						1,648,369	1,653,205

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Description						Consolidated	
	No maturity	Until 3 months	Above 3 months and up to 12 months	Above 12 months and up to 5 years	Over 5 years	06/30/2019	31/12/2018
Financial assets measured at fair value through profit or loss							
Financial investment fund (1)	2,280,254	-	-	-	-	2,280,254	1,659,851
Interest Account - Deposits Abroad	1,485	-	-	-	-	1,485	-
Repurchase agreements (2)	-	1,404,038	-	-	-	1,404,038	2,012,632
Federal government securities	-	-	490,998	2,408,142	1,853,195	4,752,335	2,216,231
Financial Treasury Bills	-	-	-	-	-	-	-
Other investments (3)	18,597	-	-	-	-	18,597	18,503
	2,300,336	1,404,038	490,998	2,408,142	1,853,195	8,456,709	5,907,217
Financial assets measured at fair value through other comprehensive income							
Federal government securities	-	-	145,876	1,239,890	346,443	1,732,209	1,683,481
Financial Treasury Bills	-	-	-	-	-	-	-
National Treasury Bills	-	8,427	-	11,909	-	20,336	160,400
National Treasury Notes	-	-	-	139,775	19	139,794	138,474
Other investments (3)	11,068	-	-	-	-	11,068	9,046
Shares - Minority interest (4)	345,419	-	-	-	-	345,419	344,162
	356,487	8,427	145,876	1,391,574	346,462	2,248,826	2,335,563
Total	2,656,823	1,412,465	636,874	3,799,716	2,199,657	10,705,535	8,242,780
Current						8,927,165	6,487,587
Noncurrent						1,778,370	1,755,193

- (1) Investment funds, whose portfolios mainly comprise investments in federal government securities and government-bond-backed repurchase agreements that have the CDI (Interbank Deposit Certificate rate) as their profitability benchmark. The consolidated balances of exclusive investment funds are presented according to the nature and maturity of the portfolio; however they will be presented in noncurrent assets. The net assets of investment funds are as follows:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

		B3		Consolidated	
	Administrator	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Boutique funds included in the consolidation process					
Bradesco FI RF LP Eucalipto	Banco Bradesco S.A.	3,863,885	2,417,398	-	-
Imbuia FI RF DI	Safra Adm. Fiduciária Ltda	784,415	488,024	-	-
BB Pau Brasil FI RF	BB DTVM S.A.	914,043	505,614	-	-
		5,562,343	3,411,036	-	-
Mutual funds					
Bradesco Empresas FIC FI DI Federal	Banco Bradesco S.A.	10,928	13,773	11,001	13,874
Araucária RF FI	Itaú Unibanco S.A.	624,125	330,258	637,486	333,693
Santander FI Cedro RF	Banco Santander S.A.	761,832	525,635	788,438	546,500
Jacarandá RF	Votorantim DTVM Ltda	187,334	126,487	187,333	126,487
FI Liquidez Câmara BM&FBOVESPA	Banco B3 S.A.	655,996	639,298	655,996	639,297
		2,240,215	1,635,451	2,280,254	1,659,851
Total		7,802,558	5,046,487	2,280,254	1,659,851

- (2) Obtained from banks with low credit risk and backed by federal government securities.
- (3) These refer mainly to investments in gold (individual and consolidated) and investments of the foreign subsidiary (consolidated).
- (4) These refer to shares of Bolsa de Comercio de Santiago in the amount of R\$70,741 (R\$81,265 at December 31, 2018); Bolsa Mexicana de Valores - R\$174,455 (R\$158,963 at December 31, 2018); Bolsa de Valores de Colômbia - R\$55,492 (R\$52,885 at December 31, 2018) and Bolsa de Valores de Lima - R\$44,731 (R\$51,049 at December 31, 2018) acquired by B3 within its strategy to explore opportunities of partnerships with other stock exchanges.

The government securities are held under the custody of the Special System for Settlement and Custody (SELIC); the investment fund shares are held under the custody of their respective administrators; local shares are held under the custody of B3's Clearinghouse; the shares of Bolsa de Comercio de Santiago, Bolsa Mexicana de Valores, Bolsa de Valores de Lima and Bolsa de Valores de Colombia are held under the custody of BTG Pactual Chile, Mexico, Peru and Colômbia, respectively.

In the event of impairment, the carrying amount of the financial asset is adjusted directly to profit or loss for the period. Subsequent recoveries of amounts previously written off are recognized in profit or loss for the period.

Management periodically monitors the outstanding positions and possible risks of impairment of financial assets. Considering the nature of these assets, B3 has no significant impairment history.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

c) *Derivative financial instruments*

Fair value hierarchy

Financial assets and liabilities measured at fair value of B3 are recognized at quoted prices (unadjusted) in active market (Level 1), except for derivative financial instruments together with the principal of the debt issued abroad due to *hedge* accounting, which are classified under Level 2. Trade accounts receivable and payable approximate their book value given their short-term maturities, and the fair values of related parties is equal to their book values.

Derivative financial instruments

Risk factors - currency and price of share

B3 takes out derivative financial instruments with the exclusive objective to hedge against the risk of exchange rate fluctuations. B3's exposure to exchange rate risk derives from amounts such as principal of foreign debt and its half-yearly interest, investments in foreign stock exchanges and investment in its foreign subsidiaries.

B3 also engages in derivative financial instruments to hedge against the risk of B3SA3 share price fluctuation. B3's exposure to the risk of price fluctuation is related to payment of labor charges arising from the long-term incentive program ("ILP").

Management adopts a foreign exchange risk management and share price policy associated with this position, the main objective of which is not to allow significant impacts on P&L arising from fluctuations. B3 adopts hedge accounting for these financial instruments.

Investment in foreign subsidiary (CETIP Lux)

	<u>B3</u>	<u>Consolidated</u>
Assets		
Investment in foreign subsidiary	1,309,125	-
Liabilities		
Intercompany loans and loan taken out by subsidiary	(1,839,631)	(579,868)
Net currency exposure	<u>(530,506)</u>	<u>(579,868)</u>

In view of the fact that, under the terms of tax legislation, gains or losses arising from the exchange rate variation on investments should not be taken into account in the income and social contribution tax base, a mismatch between long and short positions in foreign currency is required, so that the after-tax P&L is not exposed to exchange rate variation (post-tax hedge).

Cash flow and fair value hedge

At June 30, 2019, the swap consolidated amounts measured at fair value are the following:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

								B3 and Consolidated					
								Gain/(Loss) for the period					
Hedge classification	Hedge Item	Hedging instrument	Notional value			Average interest / Notional value - R\$	Maturity	Assets	Liabilities	Nonfinancial assets	Operating expenses	Financial income (expenses)	Equity
Cash Flow	Interest Installment – foreign debt (1)	Swap	Assets	USD	19,800	-							
			Liabilities	BRL	61,190	64.50% do CDI	07/16/2019	9,995	-	-	-	8,390	(8,270)
Cash Flow	Interest Installment – foreign debt (1)	Swap	Assets	USD	19,800	-							
			Liabilities	BRL	65,722	CDI -3.24%	01/16/2020	8,112	-	-	-	(366)	557
Cash Flow	Interest Installment – foreign debt (1)	Swap	Assets	USD	19,800	-							
			Liabilities	BRL	65,756	CDI -3.38%	07/16/2020	8,410	-	-	-	(210)	557
Cash Flow	Stock Grant charges (2)	Swap	Assets	BRL	116,909	B3SA3 + Earnings	Jul/2019 to Apr/2020	22,135	-	-	9,132	(1,406)	6,881
			Liabilities			107% of CDI							
Fair Value	Foreign debt (3)	Swap	Assets	USD	350,000	67.22% do CDI	07/16/2020	102,611	-	-	-	(11,329)	-
			Liabilities	BRL	1,108,940								
Fair Value	Foreign debt (3)	Swap	Assets	USD	262,000	-							
			Liabilities	BRL	870,836	CDI -3.36%	07/16/2020	106,024	-	-	-	(8,121)	-
Cash Flow	Shares of Bolsa Mexicana de Valores (4)	NDF		MXN	760,000	153,596	09/09/2019	1,089	-	-	-	-	719
Cash Flow	Shares of Bolsa de Comércio de Santiago (4)	NDF		CLP	11,200,000	62,451	09/09/2019	-	(1,150)	-	-	-	(759)
Cash Flow	Certain firm commitments (5)	Cash in foreign currency		EUR	2,815								
				USD	1,208	16,558	No maturity	-	-	56	92	-	226
								258,376	(1,150)	56	9,224	(13,042)	(89)
Current								41,331	(1,150)				
Noncurrent								217,045	-				

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

In this period, hedge had no significant element of inefficiency.

- (1) In September 2017 and March 2018, B3 took out from mostly low credit risk financial institutions with low credit risk swap transactions, in order to hedge the investment, the installment of half-yearly interest of Senior Unsecured Notes (Note 9), from currency risk.
- (2) In January 2019, B3 entered into a new hedging transaction arising from its exposure to the B3SA3 share price variation, aiming to neutralize the impacts arising from the positive variation of the price of these shares in the payment of labor charges derived relating to the long-term incentive program ("ILP").
- (3) In March 2018, B3 took out from top-tier financial institutions forward swap transactions to promote the rollover of the hedge relating to the principal of the Senior Unsecured Notes.
- (4) In June 2019, B3 took out from mostly low credit risk financial institutions a non-Deliverable Forward (NDF) in order to hedge the investment in the shares of Bolsa Mexicana de Valores and shares of Santiago Stock Exchange from exchange rate variation.

The hedging accounts for approximately 87% of the Mexican peso position referring to the Mexican Stock Exchange shares and approximately 89% of the Chilean peso position referring to the Bolsa de Mexicana de Santiago.

- (5) In February 2019, B3 recorded a new hedge, allocating part of its cash in foreign currency to hedge the currency risk of certain firm commitments assumed in foreign currencies (cash flow hedge). The cash flows subject to coverage refer to payments to be incurred up to December 31, 2019, regardless of whether the contract terms exceed that date.

The method to determine the fair value, used by B3, consist in determining the future amount based on the conditions of transactions taken out, and then the present value based on current market curves, as disclosed by B3.

d) Financial instruments and risk management

Financial risk management and financial investment policy

B3's policy is for highly liquid financial investments, whose performance is substantially tied to the SELIC/CDI rate, resulting in a significant proportion of federal government securities in its portfolio, purchased directly, via repurchase agreements backed by government securities and also through exclusive and non-exclusive funds. Mostly financial investment has daily liquidity in line with B3's business needs.

The B3 carries out transactions with derivative instruments solely and exclusively for equity hedge purposes.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Acquisition or disposal of investments in shares of Latin America Stock Exchanges, are assessed individually and realized only in accordance with the strategic planning approved by the Board of Directors.

In addition, B3 has a Corporate Risk Management Policy, whose purpose is to establish principles, guidelines and responsibilities to be observed in the risk management process, so as to allow identification, assessment, treatment, monitoring and communication of operational, technological, market, liquidity, credit, image and socio-environmental risks.

The Risk and Financial Committees assess market, liquidity, credit and systemic risks of the markets managed by B3, with a strategic and structural focus.

Sensitivity analysis

The table below presents the consolidated net exposure of all financial instruments (assets and liabilities) by market risk factors. At June 30, 2019, significant market risk is represented by the fall in the floating interest rate (CDI/SELIC).

Exposure to Risk Factors (Consolidated)					
Risk fator	Risk	06/30/2019		12/31/2018	
		Percentage	Amount	Percentage	Amount
Floating interest rate	Decrease in SELIC rate	61.53%	7,132,858	67.39%	5,559,562
Floating interest rate	CDI increase	29.42%	3,411,011	17.88%	1,474,750
Foreign exchange - USD	Higher currency	3.27%	378,618	4.92%	405,468
Share price	Lower price	2.98%	345,448	4.17%	344,174
Foreign Exchange - Other	Lower currency	1.27%	146,890	1.83%	150,742
Inflation	Lower inflation rate	1.21%	139,793	1.68%	138,475
Fixed interest rate	Lower fixed rate	0.18%	20,336	1.94%	160,400
Gold	Lower gold price	0.15%	17,424	0.19%	15,879

The ownership structure at Latin America Stock Exchanges is subject to two risk factors simultaneously: currency and share price.

Share price risk

This risk arises from the possibility of fluctuations in the prices of the shares in Latin America Stock Exchanges, which B3 holds in its portfolio and that may affect the amounts involved.

The table below shows a sensitivity analysis on possible impacts from a variation of 25% and 50% on the probable scenario for share price, for the next three months, obtained from Bloomberg.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Risk factor	Impact				
	-50%	-25%	Probable scenario	+25%	+50%
Bolsa de Comercio de Santiago shares in BRL Share price in CLP	(35,602) 1,245	(18,032) 1,867	(463) 2,489	17,107 3,111	34,676 3,734
Bolsa de Mexicana de Valores shares in BRL Share price in MXN	(86,819) 18.25	(43,001) 27.38	816 36.50	44,634 45.63	88,452 54.75
Bolsa de Valores da Colombia shares in BRL Share price in COP	(28,325) 6,149	(14,741) 9,224	(1,157) 12,298	12,427 15,373	26,010 18,447
Bolsa de Valores de Lima shares in BRL Share price in PEN	(22,061) 1.31	(10,726) 1.96	609 2.61	11,944 3.26	23,279 3.92

The possible impacts shown by the sensitivity analysis would affect equity, net of taxes.

Interest rate risk

This risk arises from the possibility of B3 incur losses due to fluctuations in interest rates, affecting its assets and liabilities, resulting in effects on its Financial result.

- Floating-rate position

As a financial investment policy and considering the need for immediate liquidity with the least possible impact from interest rate fluctuations, B3 maintains its financial assets and liabilities substantially indexed to floating interest rates.

The table below shows a sensitivity analysis on possible impacts on assets and liabilities of a variation of 25% and 50% on the probable scenario for the CDI and Selic rate for the next three months, obtained from Bloomberg.

Risk factor	Impact				
	-50%	-25%	Probable scenario	+25%	+50%
CDI	(25,596)	(38,176)	(50,615)	(62,917)	(75,086)
CDI rate	3.14%	4.71%	6.28%	7.85%	9.42%
SELIC	55,359	82,566	109,468	136,075	162,393
SELIC rate	3.14%	4.71%	6.28%	7.85%	9.42%

- Fixed-rate position

B3 has exposure in fixed rates in a small part of its financial investments and securities. However, in terms of percentage, their effects on the portfolio are not considered material.

Currency risk

Currency risk refers to variations in foreign exchange rates that may cause unexpected losses to B3.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

In addition to the amounts payable and receivable in foreign currencies, including interest payments on the senior unsecured notes in the next six-month period, B3 has own funds abroad, and also shareholding interest in Latin America Stock Exchanges.

The table below shows a sensitivity analysis on possible impacts on assets and liabilities of a variation of 25% and 50% on the probable scenario for currency risk for the next three months, obtained from Bloomberg.

The possible impacts shown by the sensitivity analysis would substantially affect equity, net of taxes.

Risk factor	Impact				
	-50%	-25%	Probable Scenario	+25%	+50%
USD	(188,519)	(93,469)	1,580	96,630	191,679
Exchange Rate USD/BRL	1.9241	2.8862	3.8482	4.8103	5.7723
EUR	(7,241)	(3,636)	(30)	3,575	7,180
Exchange Rate EUR/BRL	2.1748	3.2622	4.3496	5.4370	6.5244
GBP	(955)	(483)	(12)	459	931
Exchange Rate GBP/BRL	2.4186	3.6279	4.8372	6.0465	7.2558
CLP	(3,755)	(1,891)	(27)	1,838	3,702
Exchange Rate CLP/BRL	0.0028	0.0042	0.0056	0.0070	0.0084
MXN	(11,427)	(5,723)	(20)	5,684	11,388
Exchange Rate MXN/BRL	0.0997	0.1495	0.1993	0.2491	0.2990
COP	(27,931)	(14,151)	(370)	13,411	27,191
Exchange Rate COP/BRL	0.0006	0.0009	0.0012	0.0015	0.0018
PEN	(28,264)	(20,031)	(11,798)	(3,565)	4,668
Exchange Rate PEN/BRL	0.4295	0.6442	0.8589	1.0736	1.2884

In view of the net amounts of other currencies, their impacts are not deemed material.

Liquidity risk

Liquidity risk arises from the cash need related to the obligations assumed and as a form of management, and B3 constantly evaluates its cash flows, thus ensuring liquidity to fulfill all its obligations. The following table shows the main liability financial instruments of B3 by maturity (undiscounted cash flows):

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	No maturity	Within 1 year	From 1 to 2 years	Between 2 and 5 years	Above 5 years
Collaterals for transactions	2,645,377	-	-	-	-
Debt issued abroad	-	151,755	75,878	2,345,306	-
Swap (1)	-	37,581	134,282	-	-
NDFs (2)	-	430	-	-	-
Debentures	-	1,626,912	77,133	1,277,760	-
Loan in dollars	-	211,826	386,509	-	-
FINEP loan	-	4,399	2,698	7,154	4,438
	2,645,377	2,032,903	676,500	3,630,220	4,438

(1) For the adjustment calculation, CDI curve was used from June 30, 2019 up to the swap settlement date, the dollar at the closing of month (PTAX) was also used, rate disclosed by the Central Bank of Brazil.

(2) NDFs take into consideration the amount to be settled on contracted transactions. For calculating the adjustment, the sales rates of the respective currencies were disclosed by the Central Bank of Brazil on the last business day of the month.

Credit risk

The main credit risk of B3 arises from its financial investments. As a way of managing this risk, B3 has a financial investment policy that focuses mainly on investments in Brazilian federal government securities. Currently approximately 99% of financial investments is in connection with federal government securities with ratings set by Standard & Poor's and Moody's of "BB-" and "Ba2", respectively, for long-term issues in local currency. The counterparties of Swaps and NDFs taken out as hedging transactions are substantially low credit risk banks.

Capital management

B3's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide return for its shareholders and for other stakeholders, as well as to maintain an optimal target capital structure to reduce the cost of capital. In order to maintain or adjust its capital structure, B3 may revise its practices for payment of dividends, return capital to shareholders, raise loans and issue marketable securities in the financial and capital markets, among others.

At June 30, 2019, the consolidated position of loans, financing and derivative financial instruments added to the guarantees in operations and earnings and rights on securities under custody are R\$3,033,845 lower when compared with the consolidated position of cash and cash equivalents and financial investments.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	Consolidated	
	06/30/2019	12/31/2018
Cash and cash equivalents/financial investments	11,225,788	8,572,467
Loans and financing, debentures and derivative financial instruments	(5,482,375)	(4,234,423)
Collateral for transactions	(2,645,377)	(2,110,933)
Earnings and rights on securities under custody	(64,191)	(59,850)
	3,033,845	2,167,261

5. Trade accounts receivable

Breakdown of accounts receivable is as follows:

Description	B3		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Fees	37,913	30,439	37,913	30,439
Trust and custodian fees	120,386	134,553	120,386	134,553
Vendors - Signal broadcasting	30,112	26,930	34,922	31,747
Database management	48,159	33,869	48,159	33,869
Data processing	51,693	42,732	51,693	42,732
Other accounts receivable	57,489	55,653	60,728	56,280
Subtotal	345,752	324,176	353,801	329,620
Estimated losses on accounts receivable	(8,413)	(5,798)	(8,413)	(5,798)
Total	337,339	318,378	345,388	323,822

The amounts presented above are primarily denominated in Brazilian reais and approximately 90% falls due within 90 days. At June 30, 2019, the amounts overdue above 90 days totaled R\$4,387 (R\$3,465 at December 31, 2018) at B3 and in the consolidated.

Changes in estimated losses on accounts receivable:

	B3 and Consolidated
Balance at December 31, 2018	5,798
Additions	6,984
Reversals	(4,010)
Write-offs	(359)
Balance at June 30, 2019	8,413

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

6. Investments

a) Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise the following:

	Subsidiaries								Associate	Total
	Banco B3	BVRJ	UK Ltd.	B3 Inova	CETIP Info	CETIP Lux	BLK	Portal de Documentos	RTM (1)	
Investment Informations										
Total shares	24,000	115	1,000	1	800	85,000	403,650	200,000	2,020,000	
% - Interest held	100,00	86,95	100,00	100,00	100,00	100,00	75,00	100,00	20,00	
Equity	96,875	86,510	2,593	11,075	77,510	1,309,125	1,146	4,569	63,437	
Adjusted P&L	7,795	478	902	(446)	19,202	4,983	(1,452)	(945)	9,930	
Key financial information										
Assets	613,992	95,819	2,892	11,075	80,478	1,894,822	4,410	18,992	75,727	
Liabilities	517,117	9,309	299	-	2,968	585,697	3,264	14,423	12,290	
Revenues	23,601	2,856	1,958	811	23,502	-	2,810	1,473	50,340	
Changes in Investments										
Balances at December 31, 2018	94,234	74,805	1,766	9,046	92,783	1,304,142	-	-	19,510	1,596,286
Equity in income of investees	7,795	416	902	(446)	19,202	4,983	(1,089)	(945)	1,986	32,804
Exchange rate variation	-	-	(75)	(45)	-	-	-	-	-	(120)
Comprehensive income of subsidiary	(8)	-	-	-	-	-	(67)	-	-	(75)
Acquisition of subsidiary (Note 2(d))	-	-	-	-	-	-	13,395	38,380	-	51,775
Contingent consideration (Nota 2(d)(ii))	-	-	-	-	-	-	-	50,000	-	50,000
Capital Increase	-	-	-	2,520	-	-	1,350	7,500	-	11,370
Earnings	(5,146)	-	-	-	(34,475)	-	-	-	-	(39,621)
Recognition of stock grant plan	-	-	-	-	-	-	385	407	-	792
Balances at June 30, 2019	96,875	75,221	2,593	11,075	77,510	1,309,125	13,974	95,342	21,496	1,703,211

- (1) B3 holds 20% interest in associate RTM, which is a private communication network created especially for the financial sector, connecting approximately 500 institutions and 25 information and service providers in a single operational environment, RTM manages data, voice and image services and develops specific solutions for users in the financial sector, According to the business combination with CETIP, an increase was identified in the fair value of the investment in associate RTM in the amount of R\$8,809.

The BRV LLC stated no balance in the period.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

b) *Investment properties*

This category comprises properties owned by subsidiary BVRJ for rent, which are carried at cost and depreciated at the rate of 4% p.a. There were no additions or write-offs for the period, and depreciation totaled R\$759 (R\$759 at June 30, 2018). Rental income from these properties for the period ended June 30, 2019 amounted to R\$2,856 (R\$2,966 at June 30, 2018).

At June 30, 2019, cost less accumulated depreciation of these properties amounted to R\$25,322 (R\$26,081 at June 3, 2018) and fair value estimated is R\$111,883 calculated considering the average square-meter price for sale of commercial properties in the city of Rio de Janeiro, as disclosed in FIPEZAP table.

B3 has no restrictions as to the sale of its investment properties.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

7. Property and equipment

	B3					
Changes	Buildings	Furniture and fixtures	Computer devices and equipment	Facilities	Others	Construction in progress
Balances at December 31, 2018	288,374	21,631	235,911	31,778	29,521	18,383
Additions	1,233	1,182	7,666	2,171	5,604	18,464
Adoption of IFRS 16/CPC 06(R2)	17,739	-	-	-	-	-
Write-offs	(138)	(30)	(57)	-	-	-
Transfers	367	-	375	-	3	(745)
Reclassification (Note 8)	-	-	1,373	-	-	-
Depreciation recapitalized	-	(1)	(454)	-	-	-
Depreciation	(17,487)	(2,865)	(27,503)	(3,635)	(2,097)	-
Balances at June 30, 2019	290,088	19,917	217,311	30,314	33,031	36,102
At June 30, 2019						
Cost	455,306	62,621	607,632	73,539	80,724	36,102
Accumulated depreciation	(165,218)	(42,704)	(390,321)	(43,225)	(47,693)	-
Net book balance	290,088	19,917	217,311	30,314	33,031	36,102
Annual average depreciation rates	6.8%	13.9%	14.5%	10.0%	13.0%	

	Consolidated					
Changes	Buildings	Furniture and fixtures	Computer devices and equipment	Facilities	Others	Construction in progress
Balances at December 31, 2018	288,374	21,631	235,911	31,802	31,224	18,383
Additions	1,233	1,182	8,113	2,171	5,604	18,464
Adoption of IFRS 16/CPC 06(R2)	20,955	-	-	-	-	-
Write-offs	(138)	(30)	(55)	-	5	-
Transfers	367	-	375	-	3	(745)
Reclassification (Note 8)	-	-	1,373	-	-	-
Depreciation recapitalized	-	(1)	(456)	-	-	-
Depreciation	(17,595)	(2,884)	(27,643)	(3,643)	(2,111)	-
Acquisition of subsidiary	-	695	4,393	67	111	-
Balances at June 30, 2019	293,196	20,593	222,011	30,397	34,836	36,102
At June 30, 2019						
Cost	458,521	64,489	619,348	74,801	82,666	36,102
Accumulated depreciation	(165,325)	(43,896)	(397,337)	(44,404)	(47,830)	-
Net book balance	293,196	20,593	222,011	30,397	34,836	36,102
Annual average depreciation rates	6.8%	13.9%	14.5%	10.0%	13.0%	

B3 has no restrictions on its properties, except on those pledged as securities for legal claims, recorded for some R\$85,768 (R\$91,156 at December 31, 2018).

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

8. Intangible assets

B3							
Changes	Goodwill	Cost of software development internally generated	Software internally generated – projects completed	Software	Contractual relations	Trademarks	Total
Balances at December 31, 2018	22,338,799	162,815	4,413,851	96,870	34,552	87,143	27,134,030
Additions	-	47,955	-	15,104	-	-	63,059
Write-offs	-	-	-	(10)	-	-	(10)
Transfers	-	(20,835)	16,852	3,983	-	-	-
Reclassification (Note 7)	-	-	-	(1,373)	-	-	(1,373)
Amortization	-	-	(409,262)	(10,848)	(4,936)	(34,857)	(459,903)
Other	-	516	-	(59)	-	-	457
Balances at June 30, 2019	22,338,799	190,451	4,021,441	103,667	29,616	52,286	26,736,260
At June 30, 2019							
Cost	22,338,799	190,451	6,089,676	551,240	54,221	190,131	29,414,518
Accumulated amortization	-	-	(2,068,235)	(447,573)	(24,605)	(137,845)	(2,678,258)
Net book balance	22,338,799	190,451	4,021,441	103,667	29,616	52,286	26,736,260
Annual average amortization rates			13.5%	9.3%	18.2%	36.7%	

Consolidated							
Changes	Goodwill	Cost of software development internally generated	Software internally generated – projects completed	Software	Contractual relations	Trademarks	Total
Balances at December 31, 2018	22,338,799	163,787	4,413,851	96,870	34,552	87,145	27,135,004
Additions	-	47,955	117	15,362	-	-	63,434
Write-offs	-	-	-	(11)	-	-	(11)
Transfers	-	(21,807)	17,824	3,983	-	-	-
Reclassification (Note 7)	-	-	-	(1,373)	-	-	(1,373)
Amortization	-	-	(409,736)	(10,972)	(4,936)	(34,856)	(460,500)
Acquisition of subsidiaries	77,102	-	26,637	3,639	17,000	7	124,385
Other	-	516	-	(60)	-	-	456
Balances at June 30, 2019	22,415,901	190,451	4,048,693	107,438	46,616	52,296	26,861,395
At June 30, 2019							
Cost	22,415,901	190,451	6,117,404	559,615	71,222	190,140	29,544,733
Accumulated amortization	-	-	(2,068,711)	(452,177)	(24,606)	(137,844)	(2,683,338)
Net book balance	22,415,901	190,451	4,048,693	107,438	46,616	52,296	26,861,395
Annual average amortization rates			13.5%	9.3%	18.2%	36.7%	

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Goodwill

Bovespa Holding goodwill

Goodwill from acquisition of Bovespa Holding in 2008, based on the expected future profitability and supported by an economic and financial valuation report of the investment amounted to R\$16,064,309. At December 31, 2015, the test supported by the valuation report at that time prepared by independent experts indicated impairment of Bovespa Holding in the amount of R\$1,662,681 and, as a result, the carrying amount of goodwill was reduced to R\$14,401,628. At June 30, 2019, management reviewed significant variables of future cash flow projections of the cash-generating unit Bovespa Holding and adherence to the results achieved up to the reporting date and identified no need to adjust the goodwill.

The new revenue segmentation of B3 did not change the criteria for allocating goodwill.

CETIP goodwill

The goodwill generated on the acquisition of CETIP in March 2017, in the amount of R\$7,937,171 is based on the expected future profitability and on the Purchase Price Allocation (PPA) report. At June 30, 2019, the significant variables of future cash flow projections of the cash-generating units TVM and FIN and adherence to the results achieved up to the reporting date and identified no need to adjust the goodwill.

The new revenue segmentation of B3 did not change the criteria for allocating goodwill.

BLK goodwill

Goodwill from acquisition of BLK in March 2019, in the estimated amount of R\$7,937, will be based on expected future profitability, supported by an economic and financial valuation report of the investment (Purchase Price Allocation - PPA), which is under preparation.

Portal de Documentos goodwill

The goodwill from acquisition of Portal de Documentos in June 2019, in the estimated amount of R\$69,165, will be based on expected future profitability, supported by an economic and financial valuation report of the investment (Purchase Price Allocation - PPA), which is under preparation.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

9. Loans and financing

	B3				
	Foreign debt	Debentures	Loans involving subsidiaries	Other Loans	Total
Balance at December 31, 2018	2,402,529	1,504,766	1,834,399	15,574	5,757,268
Additions/Appropriation of interest	76,072	59,096	37,771	1,227	174,166
Leases	-	-	-	18,879	18,879
Additions of principal	-	1,200,000	-	-	1,200,000
Additions of borrowing costs	-	(969)	-	-	(969)
Amortization of borrowing costs	1,161	1,423	-	59	2,643
Amortization of interest	(73,366)	(48,501)	(12,883)	(628)	(135,378)
Amortization of principal	(456)	-	-	(4,399)	(4,855)
Exchange rate variation	-	-	(19,656)	-	(19,656)
Exchange rate variation - Fair value hedge	(26,071)	-	-	-	(26,071)
Exchange rate variation - Cash flow hedge	(3,830)	-	-	-	(3,830)
Present value adjustment - Fair value hedge	33,618	-	-	-	33,618
Opening balance at June 30, 2019	2,409,657	2,715,815	1,839,631	30,712	6,995,815
Current	58,763	1,516,682	1,597,778	7,787	3,181,010
Noncurrent	2,350,894	1,199,133	241,853	22,925	3,814,805

	Consolidated				
	Foreign debt	Debentures	Loans involving subsidiaries	Other Loans	Total
Balance at December 31, 2018	2,402,529	1,504,766	586,290	15,574	4,509,159
Additions/Appropriation of interest	76,072	59,096	12,374	1,291	148,833
Leases	-	-	-	18,879	18,879
Additions of principal	-	1,200,000	-	-	1,200,000
Additions of borrowing costs	-	(969)	-	-	(969)
Amortization of borrowing costs	1,161	1,423	-	59	2,643
Amortization of interest	(73,366)	(48,501)	(12,406)	(628)	(134,901)
Amortization of principal	(456)	-	-	(4,540)	(4,996)
Exchange rate variation	-	-	(6,390)	-	(6,390)
Exchange rate variation - Fair value hedge	(26,071)	-	-	-	(26,071)
Exchange rate variation - Cash flow hedge	(3,830)	-	-	-	(3,830)
Present value adjustment - Fair value hedge	33,618	-	-	-	33,618
Acquisition of subsidiary	-	-	-	3,626	3,626
Opening balance at June 30, 2019	2,409,657	2,715,815	579,868	34,261	5,739,601
Current	58,763	1,516,682	196,648	8,496	1,780,589
Noncurrent	2,350,894	1,199,133	383,220	25,765	3,959,012

Debt issued abroad

With the adoption of the fair value hedge accounting in March 2016 (Note 4 (c)), the principal amount of debt securities issued abroad in 2010 are now measured at fair value. The restated loan included the amounts to R\$58,763 (R\$70,257 at December 31, 2018), referring to half-yearly interest incurred until the reporting date. This transaction will mature on July 16, 2020.

The market value of securities, obtained from Bloomberg, considers principal and interest, and amounts to R\$2,407,058 at June 30, 2019 (R\$2,417,382 at December 31, 2018).

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information -- Continued
June 30, 2019
(In thousands of reais, unless otherwise stated)

Debentures

	<u>Contract rate</u>	<u>Number</u>	<u>Unit par value in R\$</u>	<u>Total issuance</u>
First issuance (single series)	104.25% DI	3,000,000	1,000.00	3,000,000
Second issuance (single series)	102.80% DI	120,000	10,000.00	1,200,000

The principal of the first issue is amortized in equal installments on the 24th and 36th month and semiannual interest is paid on June and December 1 of each year, with the first payment on June 1, 2017 and the last on December 2, 2019. The second issue has a renegotiation clause scheduled for March 2022 and semiannual interest payments in May and November.

At June 30, 2019, the principal amount plus interest less the cost incurred on the first and second issue of debentures is R\$1,505,755 and R\$1,210,060, respectively (R\$1,504,766 at December 31, 2018 for the first issue).

According to the trustee, the market value of the securities, considering the principal plus interest, is R\$2,717,950 at June 30, 2019 (R\$1,507,330 at December 31, 2018).

Loans involving subsidiary CETIP Lux

The loan agreements have been executed for a weighted average term of three years, with amortization of principal in September 2019 and December 2020, for US\$404,800 and US\$56,610 respectively. The weighted interest rate of the loan is some 4.50% per annum, with payment of interest on a half-yearly basis or upon maturity of the principal, depending on the agreement.

Bank loans

During the exercises of 2014 and 2016, CETIP Lux raised bank loans amounting to US\$100,000 and US\$50,000 respectively referred to as CETIP Lux I and CETIP Lux II backed by a B3 fiduciary guarantee.

The loan referred to as CETIP Lux I has term of four years, with amortization of US\$50,000 of the principal amount in August 2017 and amortization of the remaining balance in August 2018. The interest rate of the loan was 2.57% per annum and quarterly payments of interest.

In August 2017, the loan maturity was renegotiated and extended to August 2020, with the quarterly payments of interest at a rate of 3.6% per year.

The loan agreement establishes that CETIP Lux must have a minimum equity throughout the life of the agreement; otherwise it may lead to its early termination. The clause has been complied with during the period.

The loan referred to as CETIP Lux II has term of three years, with amortization of principal in September 2019. The interest rate of the loan is approximately 5.5% per annum and half-yearly payments of interest. The loan agreement establishes certain covenants that, in case of violation by CETIP Lux, may result in the early termination of the loan. The clause has been complied with during the period.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

10. Other obligations

	B3		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Current				
Repurchase agreements (1)	-	-	277,159	333,554
Demand deposits (2)	-	-	197,894	329,955
Synergy transfer	8,119	23,296	8,119	23,296
Amounts to be transferred - Direct				
Treasury	63,480	19,828	63,480	19,828
Payables – CME/ICE	21,272	4,142	21,272	4,142
Contingent consideration (Note 2(d)(ii))	6,000	-	6,000	-
Others	47,675	27,987	65,117	33,058
Total	146,546	75,253	639,041	743,833
Noncurrent				
Contingent consideration (Note 2(d)(ii))	44,000	-	44,000	-
Payables – CME	9,645	27,225	9,645	27,225
Others	-	-	994	-
Total	53,645	27,225	54,639	27,225

- (1) These refer to open market funding made by Banco B3, comprising repurchase agreements maturing on July 1, 2019 (2018 January 2, 2019) and backed by Financial Treasury Bills (LFT), National Treasury Bills (LTN), and National Treasury Notes - series B and F.
- (2) These refer to demand deposits held by legal entities at Banco B3 with the sole purpose of settlement of clearing operations held within B3 and the Special System for Settlement and Custody (SELIC), pursuant to BACEN Circular Letter No. 3196 of July 21, 2005.

11. Provisions for tax, civil and labor contingencies, contingent assets and liabilities, judicial deposits and other provisions

a) *Contingent assets*

B3 has no contingent assets recognized in its balance sheet and, at present, no lawsuits which are expected to give rise to significant future gains.

b) *Provisions for tax, civil, and labor contingencies*

B3 and its subsidiaries are defendants in a number of legal and administrative proceedings involving labor, tax and civil matters arising in the ordinary course of business.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Legal and administrative proceedings are classified, according to their likelihood of loss, as probable, possible and remote, based on an assessment made in accordance with the Company's contingency assessment guidelines and submitted to the audit committee.

The proceedings assessed as probable loss are mostly comprised as follows:

- (i) Labor claims mostly relate to claims filed by former employees of B3 and employees of outsourced service providers, on account of alleged noncompliance with labor legislation;
- (ii) Civil proceedings mainly relate to aspects of civil liability of B3 and its subsidiaries, as well as to the cancellation of (i) units of interest of former members of the then *Associação CETIP*; and (ii) securities of former member of the then *Associação BM&F*; and
- (iii) Tax proceedings for which provisions were set up mostly relate to PIS and COFINS levied on (i) B3 revenues and (ii) receipt of interest on equity.

c) *Legal obligations*

These are represented by three groups of lawsuits in which B3 and its subsidiaries claim (i) non-levy of additional social security contribution on payroll and payments to self-employed professionals; (ii) the unconstitutionality of the broadened COFINS tax base by reference to Law No. 9718; and (iii) non-levy of ISS on the activity of permanence, registration of securities and other services.

d) *Other provisions*

B3 has contracts that provide for the payment of attorneys' success fees arising from tax and civil proceedings, in which B3 figures as defendant. Within its best estimates, B3 determined and provisioned the amounts for which it understands that there is likelihood of future disbursement, related to attorneys' success fees from proceedings whose likelihood of loss is assessed as possible and remote.

e) *Changes in balances*

Changes in provisions for contingencies and legal obligations are broken down as follows:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	B3					
	Civil	Labor	Legal obligations	Tax	Other provisions	Total
Balances at December 31, 2018	427,980	32,808	164,452	24,318	64,587	714,145
Provisions	375	1,238	4,645	4,076	3,488	13,822
Provision expenditure	-	(2,959)	-	(4,088)	(2,292)	(9,339)
Reversal of provisions	-	(1,404)	-	-	(78)	(1,482)
Reassessment of risks	56,605	2,621	-	12	-	59,238
Monetary restatement	18,603	1,630	4,946	405	1,227	26,811
Balances at June 30, 2019	503,563	33,934	174,043	24,723	66,932	803,195

	Consolidated					
	Civil	Labor	Legal obligations	Tax	Other provisions	Total
Balances at December 31, 2018	427,980	32,820	164,514	24,566	71,163	721,043
Provisions	375	1,239	4,669	4,076	3,488	13,847
Provision expenditure	-	(2,959)	-	(4,088)	(4,977)	(12,024)
Reversal of provisions	-	(1,404)	-	-	(78)	(1,482)
Reassessment of risks	56,614	2,621	-	12	-	59,247
Monetary restatement	18,604	1,630	4,951	407	1,442	27,034
Acquisition of subsidiary	122	15	36	-	-	173
Balances at June 30, 2019	503,695	33,962	174,170	24,973	71,038	807,838

Considering the characteristics of the provisions, the timing of the cash disbursements, if any, cannot be predicted.

f) **Possible losses**

The proceedings assessed as possible loss are so classified as a result of uncertainties surrounding their outcome. They are legal or administrative proceedings for which case law has not yet been established or which still depend on check and analysis of the facts, or even involve specific aspects that reduce the likelihood of loss.

B3 and its subsidiaries are parties to tax, civil and labor lawsuits involving risks of loss classified by management as possible, based on the assessment of B3's legal department and external legal advisors, for which no provision has been recorded. These proceedings comprise mainly the following:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

- (i) Labor claims mostly relate to claims filed by former employees of B3 and of outsourced service providers, on account of alleged noncompliance with labor legislation. At June 30, 2019, lawsuits classified as possible loss amount to R\$31,909 in B3 (R\$33,892 in B3 and consolidated at December 31, 2018) and R\$32,220 in consolidated.
- (ii) Civil proceedings mainly relate to aspects of civil liability of B3, as well as cancellation of units of interest of former members of the then CETIP Associação. The amount involved in civil proceedings classified as possible losses at June 30, 2019 totals R\$74,585 in B3 and R\$74,606 in the Consolidated (R\$104,017 at December 31, 2018 in B3 and in the Consolidated).

The amount considered for June 30, 2019 derives from two lawsuits involving cancellation of units of interest of former members of the CETIP Associação. In June 2019 there was an increase of R \$ 21 in the consolidated, due to the acquisition of the Portal de Documentos and the assumption of its portfolio of processes.

- (iii) The total amount involved in the tax proceedings assessed as possible loss amounts to R\$535,990 in B3 (R\$485,135 at December 31, 2018) and R\$536,583 in the Consolidated (R\$485,480 at December 31, 2018). The main tax proceedings of B3 and its subsidiaries refer to the following matters:
 - classification of the former BM&F e Bovespa, in the period prior to the demutualization, as taxpayers of the Contribution Tax on Gross Revenue for Social Security Financing ("COFINS"), which is the subject matter of two declaratory judgment actions pleading the declaration that the plaintiffs have no tax obligations owed to the federal tax authorities and seeking non-levy of COFINS on revenue arising from the exercise of the activities for which they were established, the revenue of which does not fall under the concept of billing. The amount involved in the aforementioned proceedings at June 30, 2019 totals R\$69,740 (R\$68,706 at December 31, 2018).
 - collection of Withholding Income Tax ("IRRF"), referring to calendar year 2008, arising from the Brazilian IRS's understanding that B3 is responsible for withholding and payment of IRRF on alleged capital gain by non-resident investors of Bovespa Holding S.A., resulting from merger of shares of said company by B3. On November 26, 2018, the B3 appealed to the Judiciary Branch against the decision of the Higher Chamber of CARF that maintained referred to tax assessment notice, and obtained a preliminary injunction suspending the enforceability of the tax credit. The amount involved in the related administrative proceeding at June 30, 2019 totals R\$228,360 (R\$222,396 at December 31, 2018).
 - alleged levy of social security contributions on options granted based on the BM&F S.A. Stock Option Plans assumed by B3 S.A. and of B3 S.A. itself exercised by the Plans' beneficiaries in 2011 and 2012. The Brazilian IRS inquiries are based on the understanding that stock options granted to employees represent salary in nature, since they correspond to a consideration for services rendered. At June 30, 2019, the amount involved in this administrative proceeding is R\$100,586 (R\$98,375 at December 31, 2018), related to social security contributions allegedly due.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

g) Remote losses

Between 2010 and 2017, B3 received three tax assessment notices from the Brazilian Internal Revenue Service (RFB), challenging the amortization, for tax purposes, of goodwill arising from the merger of Bovespa Holding S.A. shares into B3 in May 2008. B3 considers that the risk of loss associated with these tax proceedings is remote. The amounts involved in each tax proceeding are broken down as follows:

Period of tax amortization challenged	Amounts referring to administrative proceedings	
	06/30/2019	12/31/2018
2008 and 2009 (1)	1,325,136	1,300,287
2010 and 2011 (2)	2,676,924	2,618,775
2012 and 2013 (3)	3,316,194	3,228,190
Total	7,318,254	7,147,252

- (1) B3 filed an appeal with the Judiciary through an action for annulment on April 23, 2018, against an unfavorable decision to B3 in the Câmara Superior de Recursos Fiscais do (CARF) issued in the notice of infraction issued on November 29, 2010. On June 12, 2018, the preliminary injunction granted suspended the collectability of the tax credit.
- (2) On June 22, 2017, CARF handed down a decision granting the Voluntary Appeal filed by B3. Currently, B3 is awaiting the judgment by Superior Chamber of Tax Appeals of the Special Appeal filed by the National Treasury.
- (3) In October 2017, the Company filed a related administrative protest, for which an unfavorable to the B3 decision was handed down by the Brazilian IRS Judgment Office ("DRJ"), upholding the notice. B3 currently awaits judgment of the Voluntary Appeal, submitted to CARF on August 31, 2018.

B3 is a defendant in 3 (three) class actions and 2 (two) public civil actions, filed against the then Bolsa de Mercadorias & Futuros - BM&F ("BM&F"), in order to determine alleged Treasury losses arising from transactions performed by the Central Bank of Brazil in January 1999 in the dollar futures market. Currently, only four (4) of these lawsuits against B3 are in progress. In March 2012, those claims had been accepted by the lower court for conviction of most of the defendants in these proceedings, including the entity then known as BM&F. The combined convictions amounted to R\$7,005 million, from which, according to one of the rulings, the gains obtained by the Central Bank of Brazil due for not using international reserves, amounting to R\$5,431 million, could be deducted. B3 had also been sentenced to pay a civil fine of R\$1,418 million. In June 2017, the Federal Regional Court ruled in favor of the appeals filed by B3, reversing the sentences to exclude the liability for compensation for any damages suffered by the Brazilian Treasury Department. The Federal Prosecution Office (MPF) filed a special appeal against the court decisions that reversed the convictions in all cases. Only one of the appeals to the High Court of Justice lodged by the MPF was examined, which culminated in a decision of inadmissibility, which had already been decided in favor of B3. The Company is still awaiting the examination of admissibility of the other four (4) appeals filed by the MPF. All amounts reported in this item are historical amounts referring to January 1999 and would be monetarily restated, including default interest and loss of suit expenses.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

h) *Judicial deposits*

Description	B3		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Legal obligations (1)	183,996	252,487	183,996	252,487
Tax (2)	92,634	91,122	93,078	91,523
Labor	13,482	13,131	13,632	13,284
Civil	6,795	6,639	6,795	6,639
Total	296,907	363,379	297,501	363,933

(1) Of the total deposits relating to legal obligations, R\$6,660 (R\$80,245 at December 31, 2018) relates to the proceedings in which B3 claims non-levy of additional social security contribution on payroll and payments to self-employed professionals and challenges the legality of FAP (an index applied to calculate the occupational accident insurance owed by employers). On February 7, 2019, B3 conducted a survey of the judicial deposit amounting to R\$73,821, due to the final and unappealable decision in September 2017 relating to one of the lawsuits that challenged the levy of additional social security tax on payroll.

(2) Of the total judicial deposits of B3, the following are highlighted: (i) R\$67,629 (R\$65,579 at December 31, 2018) referring to proceedings challenging the classification of the stock exchanges as subject to the payment of COFINS, which are assessed as possible loss by B3 (Note 11); and (ii) R\$15,711 (R\$15,458 at December 31, 2018) referring to proceedings challenging PIS and COFINS on interest on equity received.

Due to the existence of judicial deposits related to tax proceedings classified as possible losses, the total tax contingencies and legal obligations are less than the total deposits related to tax claims.

12. Equity

a) *Capital*

B3's fully subscribed and paid-up capital totals R\$3,548,655, comprising 2,059,138,490 registered common shares with voting rights and no-par value, of which 2,047,572,047 common shares are outstanding at June 30, 2019 (2,044,215,807 at December 31, 2018).

B3 is authorized to increase its capital up to the limit of 2,500,000,000 common shares, through a resolution of the Board of Directors, without any amendment to its Articles of Incorporation.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

b) *Treasury shares*

At a meeting held on June 27, 2019, the Board of Directors approved B3's Share Buyback Program, beginning on June 28, 2019 and ending on February 29, 2020. The limit in the number of shares that may be acquired by B3 is 38,500,000 common shares, representing 1.87% of total outstanding shares

Changes in treasury shares for the period are as follows:

	<u>Quantity</u>	<u>Amount</u>
Balances at December 31, 2018	14,922,683	165,635
Shares sold – Stock option and stock grant plans	(3,356,240)	(37,253)
Balances at June 30, 2019	11,566,443	128,382
Average cost of treasury shares (R\$ per share)		11.10
Market value of treasury shares		433,279

c) *Revaluation reserves*

Revaluation reserves were established as a result of the revaluation of works of art in B3 and of the properties of subsidiary BVRJ in 2007, based on independent experts' appraisal reports.

d) *Capital reserve*

This refers substantially to amounts originated in the merger of Bovespa Holding and CETIP shares in 2008 and 2017, respectively, and other corporate events allowed by the Brazilian Corporation Law, such as (i) capital increase through merger, (ii) redemption, repayment or purchase of shares, and (iii) events associated with the stock option and stock grant plans.

e) *Income reserves*

i) **Legal reserve**

Legal reserve is annually set up with allocation of 5% of net income for the year, capped at 20% of capital. The legal reserve aims at ensuring integrity of capital and may only be used to absorb losses and increase capital. The legal reserve is not required to be set up considering that its amount plus the capital reserves exceeds 30% of the Company capital.

ii) **Statutory reserves**

Represent funds and safeguard mechanisms required for the activities of B3, in order to ensure the proper settlement and reimbursement of losses arising from the intermediation of transactions carried out in its trading sessions and/or registered in any of its trading, registration, clearing and settlement systems, and from custody services.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Pursuant to the Articles of Incorporation, the Board of Directors may, when the amount of the statutory reserve is sufficient to meet the purposes for which it was originally established, propose that part of the reserve be distributed to the shareholders of the B3.

f) Dividends and interest on equity

As provided for in the Articles of Incorporation, shareholders are entitled to mandatory minimum dividends of 25% of net income for the year, adjusted under Brazilian Corporation Law.

The interests on equity and dividends approved in relation to P&L for the period are as follows:

Earning	Release date	Payment date	Gross per share (R\$)	Gross amount	IRPJ/CSLL effect	Net amount
Interest on equity	03/21/2019	04/05/2019	0.192951	395,000	(134,300)	260,700
Interest on equity	06/19/2019	07/17/2019	0.190469	389,999	(132,600)	257,399
Dividends	06/27/2019	07/17/2019	0.103203	211,150	-	211,150
Total for 2019				996,149	(266,900)	729,249

g) Earnings per share

Basic	2019		Consolidated 2018	
	2Q	Acumulated	2Q	Acumulated
Numerator				
Net income available to shareholders of B3	654,769	1,260,967	724,435	1,039,158
Denominator				
Weighted average number of outstanding shares	2,044,403,045	2,047,373,680	2,040,155,960	2,043,101,125
Basic earnings per share (in R\$)	0.320274	0.615895	0.355088	0.508618

Diluted	2019		Consolidated 2018	
	2Q	Acumulated	2Q	Acumulated
Numerator				
Net income available to shareholders of B3	654,769	1,260,967	724,435	1,039,158
Denominator				
Weighted average number of outstanding shares adjusted by effects of stock options and stock grant plans	2,055,664,768	2,058,269,542	2,051,013,508	2,053,963,108
Diluted earnings per share (in R\$)	0.318519	0.612635	0.353208	0.505928

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

13. Transactions with related parties

a) Transactions and balances with related parties

Descrição	Assets / (liabilities)		Revenue / (expenses)			
	06/30/2019	12/31/2018	2019		2018	
			2 Q	Acumulated	2Q	Acumulated
Banco B3 (1)						
Accounts receivable	1,273	1,316	-	-	-	-
Interest on equity receivable	-	5,015	-	-	-	-
Accounts payable	-	(177)	-	-	-	-
Recovery of expenses	-	-	3,564	6,974	3,285	6,553
Income from fees	-	-	33	86	24	48
Expenses from fees	-	-	(359)	(730)	(534)	(1,038)
CETIP Lux (1)						
Accounts payable	(1,839,631)	(1,834,399)	-	-	-	-
Interest on loans	-	-	(18,542)	(37,771)	(25,752)	(42,292)
Exchange rate variation - loans	-	-	29,761	19,656	(245,470)	(252,760)
BM&FBOVESPA Supervisão de Mercados						
Accounts receivable	226	187	-	-	-	-
Accounts payable	(1,107)	(344)	-	-	-	-
Donation and contribution	-	-	(728)	(3,254)	(895)	(2,739)
Recovery of expenses	-	-	678	1,416	766	1,409
Outras partes relacionadas						
Accounts receivable	2,843	95	-	-	-	-
Accounts payable	(515)	-	-	-	-	-
Recovery of expenses	-	-	2,958	4,053	113	1,015
Sundry revenues	-	-	162	204	-	-
Expenses with courses	-	-	-	(25)	(13)	(43)
Donation	-	-	-	-	-	(137)
Telecommunication services	-	-	(3)	(7)	(210)	(576)
Sundry expenses	-	-	(2,231)	(3,155)	(1,536)	(2,163)

(1) Subsidiaries included in the consolidation process.

B3 follows a policy on transactions with related parties, approved by the Board of Directors, which aims to establish rules to ensure that all decisions involving related-party transactions and other situations of potential conflict of interest are taken to the interests of B3 and its shareholders.

The main recurring transactions with related parties are described below and were carried out under the following conditions:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

The BM&FBOVESPA Supervisão de Mercados - BSM ("BSM") is a not-for-profit civil association engaged in the analysis, supervision and inspection of transactions and activities of the companies of Trading Members and Regulators that perform clearing and settlement activities and/or custody services that operate in the stock exchange market and in the organized over-the-counter market managed by B3. In addition to these attributions, BSM incorporated the self-regulatory activities of the marketable securities organized markets.

B3 has entered into an agreement with BSM for the transfer and recovery of costs, which establishes the reimbursement to B3 of expenses incurred for resources and infrastructure made available to BSM to assist in the performance of its supervision activities. Such costs are determined on a monthly basis using the methodology specified in the agreement entered into by and between the parties and also include the activities related to the *Mecanismo de Ressarcimento de Prejuízos* ("MRP"), as this mechanism is administered by BSM.

B3 makes transfers in order to supplement financing for the activities of BSM and regular transfers of fines for failure to settle debts and deliver assets, as set out in Circular Letter No. 044/2013 of B3.

Sundry expenses with other related parties consist mainly of general expenses of UK Ltd. Office and relating to services provided for member companies member of B3's Board of Directors, whose terms ended by April 29, 2019. Their engagement was conducted using the criteria established by the related parties' policy and for other situations involving conflicts of interest.

Sundry revenues from other related parties refer mainly to services provided by B3 to BLK referring to Market data, data signal sales, and co-location hosting services.

b) Key management personnel compensation

Key management personnel include directors and statutory officers.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	2019		2018	
Benefits to managing officers	2Q	Accumulated	2Q	Accumulated
Managing officers				
Short-term benefits (salaries, profit sharing etc.)	8,626	17,230	7,858	15,730
Share-based compensation (1)	19,956	43,578	6,930	25,073
Board of Directors				
Short-term benefits (salaries, profit sharing etc.)	3,036	5,505	3,308	6,427
Share-based compensation (1)	1,890	4,271	968	1,936

(1) This refers to expenses computed in the quarter relating to share-based compensation, increased by labor and social security charges of key management personnel. These expenses were recognized according to the criteria described in Note 15.

14. Collateral for transactions

Operating as a central counterparty and guarantor in the markets, B3 manages two clearinghouses considered systemically important by the Central Bank of Brazil: BM&FBOVESPA and Foreign Exchange

The activities carried out by the clearinghouse are governed by Law No. 10214/01, which authorizes the multilateral clearing of obligations, establishes the central counterparty role of the systemically important clearinghouse and permits the utilization of the collateral obtained from defaulting participants to settle their obligations in the clearinghouse environment, including in cases of civil insolvency, agreements with creditors, intervention, bankruptcy and out-of-court liquidation.

Through its foreign exchanges, B3 acts as a central counterparty in the derivatives market (futures, forward, options and swaps), spot foreign exchange market and variable income (spot, forward, option, futures and lending of securities). In other words, by assuming the role of a central counterparty, B3 becomes responsible for the settlement of trades carried out and/or registered in its systems, as established in the applicable regulations.

The performance of B3 as a central counterparty exposes it to the credit risk of the participants that utilize its settlement systems. If a participant fails to make the payments due, or to deliver the assets or commodities due, it will be incumbent upon B3 to resort to its safeguard mechanisms, in order to ensure the proper settlement of the transactions in the established time frame and manner. In the event of a failure or insufficiency of the safeguard mechanisms of its foreign exchanges, B3 might have to use its own equity, as a last resort, to ensure the proper settlement of trades.

The clearinghouse is not directly exposed to market risk, as they do not hold net long or net short positions in the various contracts and assets traded. However, an increase in price volatility can affect the magnitude of amounts to be settled by the various market participants and can also heighten the probability of default by these participants. Furthermore, as already emphasized, the clearinghouse is responsible for the settlement of the trades of a defaulting participant, which could result in losses for B3 if the amounts due surpass the amount of collateral available. Accordingly, despite the fact that there is no direct exposure to market risk, this risk can impact and increase the credit risks assumed.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Each clearinghouse has its own risk management system and safeguard structure. The safeguard structure of a clearinghouse represents the set of resources and mechanisms that it can utilize to cover losses relating to the settlement failure of one or more participants. These systems and structures are described in detail in the regulations and manuals of each clearinghouse and have been tested and ratified by the Central Bank of Brazil (BACEN), in accordance with National Monetary Council (CMN) Resolution No. 2882/01 and BACEN Circular No. 3057/01.

The safeguard structures of the clearinghouses are based largely on a loss-sharing model called defaulter pays, in which the amount of collateral deposited by each participant should be able to absorb, with a high degree of confidence, the potential losses associated with its default.

Consequently, the amount required as collateral for participants is the most important element in our management structure of the potential market risks arising from our role as a central counterparty.

For most contracts and operations involving assets, the required value as collateral is sized to cover the market risk of the business, i.e. its price volatility during the expected time frame for settlement of the positions of a defaulting participant. This timeframe can vary depending on the nature of contracts and assets traded.

The models used for calculating the margin requirements are based, in general, on the concept of stress testing, in other words, a methodology that attempts to measure market risk into account not only recent historical volatility of prices, but also the possibility of the occurrence of unexpected events that modify the historical patterns of behavior of prices and the market in general.

In BM&FBOVESPA, the guarantee margin is defined by the risk faced by the clearinghouse of closing a portfolio. To calculate the risk of closing a portfolio containing positions and guarantees from multiple markets and asset classes, B3 developed an innovative risk measure: Close-Out Risk Evaluation (CORE).

The operations in the B3 markets are secured by margin deposits in cash, government and corporate securities, letters of guarantee and shares among others. The guarantees received in cash, in the amount of R\$2,645,377 (R\$2,110,933 at December 31, 2018), are recorded as a liability under "Collateral for transactions" and collaterals, in the amount of R\$336,326,164 (R\$317,273,984 at December 31, 2018), are recorded in memorandum accounts. At June 30, 2019, total collaterals deposited by members amounts to R\$338,971,541 (R\$319,384,917 at December 31, 2018), as follows:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

a. Collaterals deposited by members

	06/30/2019		12/31/2018	
	BM&FBOVESPA Clearinghouse	Foreign Exchange Clearinghouse	BM&FBOVESPA Clearinghouse	Foreign Exchange Clearinghouse
Federal government securities	260,515,188	12,798,253	255,845,092	7,786,067
Shares	55,509,437	-	46,197,602	-
International securities (1)	3,957,803	-	3,443,152	-
Letters of guarantee	2,129,019	-	2,463,387	-
Cash amounts deposited	2,580,030	65,147	2,110,733	-
Bank Deposit Certificates(CDBs)	1,350,912	-	1,467,790	-
Gold	14,816	-	16,018	-
Others	50,936	-	55,076	-
Total	326,108,141	12,863,400	311,598,850	7,786,067

(1) American and German government securities as well as ADRs (American Depositary Receipts).

b. Other safeguard mechanisms

- (i) Minimum non-operating guarantee ("GMNO"): The GMNO deposit is an access requirement for full negotiation participants ("PNP") and Settlement participants ("PL") to the clearinghouse of BM&FBOVESPA and the required values are defined in the BM&FBOVESPA access manual. The GMNO is broken down as follows:

Breakdown	06/30/2019	12/31/2018
Share Investment Fund (FILCB)	898,413	858,460
Amounts deposited	898,413	858,460
Amounts required of members	842,726	774,000
Amount in excess of the minimum required	55,687	84,460

- (ii) *Fundo de Liquidação* ("Settlement Fund"): funds in the FLI are used by the clearinghouse of BM&FBOVESPA to cover any losses arising from default by one or more clearing members ("MC"), after there are no more guarantees deposited by members under the responsibility of the MCs in default. In addition to the contribution of the MCs to the FLI, there is also the contribution of B3, which is a portion of its equity, allocated to the fund. These contributions are allocated to the Investment Fund BM&FBOVESPA Clearinghouse Liquidity ("FILCB"), which is formally constituted as an investment fund, under the provisions of the applicable legislation, administered, managed and guarded by Banco B3.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

- (iii) *Fundo de Liquidação de Operações de Câmbio* ("FLOC"), composed of collaterals transferred by foreign exchange clearinghouse participants and B3 funds, intended to guarantee the proper settlement of transactions.

FLI and FLOC are broken down as follows:

	06/30/2019		
	Clearing BM&FBOVESPA	Foreign exchange clearing	Special Equity - Clearinghouse and custody
Federal government securities	-	233,522	-
Federal government securities of B3	-	129,092	-
Share investment fund (FILCB) of B3	655,996	-	-
Share investment fund (FILCB)	776,371	-	-
Cash amounts deposited	-	200	-
Amounts deposited	1,432,367	362,814	-
Amounts required from participants	727,287	118,250	-
Amounts required from B3	636,111	118,250	-
Value more than the minimum required	68,969	126,314	-
Special Equity (1)	164,245	79,513	81,410

	12/31/2018		
	Clearing BM&FBOVESPA	Foreign exchange clearing	Special Equity - Clearinghouse and custody
Federal government securities	-	233,435	-
Federal government securities of B3	-	125,162	-
Share investment fund (FILCB) of B3	639,141	-	-
Share investment fund (FILCB)	732,355	-	-
Cash amounts deposited	-	200	-
Amounts deposited	1,371,496	358,797	-
Amounts required from participants	665,000	117,250	-
Amounts required from B3	600,000	117,250	-
Value more than the minimum required	106,496	124,297	-
Special Equity (1)	159,272	77,110	78,952

- (1) *Patrimônio Especial* (Special equity) *Selic das câmaras BM&FBOVESPA, Câmbio e de compensação e custódia*, in compliance with the provisions of article 5 of Law 10214 of March 27, 2001 and article 19 of Bacen circular No. 3057 of August 31, 2001, B3 maintain in federal government securities.

- (iv) Cash of B3 dedicated to BM&FBOVESPA clearinghouse: portion of B3 equity, formally and exclusively dedicated to the clearinghouse - used by BM&FBOVESPA clearinghouse for the treatment of a failure in the settlement window, ensuring the necessary resources to fulfill its payment obligations to creditor clearing members.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Breakdown	06/30/2019	12/31/2018
Federal government securities	1,255,819	1,217,562
Amounts deposited	1,255,819	1,217,562
Amounts required of B3	1,200,000	1,200,000
Amount more than the minimum required	55,819	17,562

15. Employee benefits

a. Stock Grant - long-term incentive

B3 recognized expenses related to Stock Grant Plan matched against capital reserves in equity, based on the fair value of the share at the grant date of the plans and charges in personnel expenses calculated based on the fair value of the share at June 30, 2019. As shown in the table below:

	2019		Consolidated	
	2Q	Accumulated	2Q	Accumulated
Expenses related to granting of Stock Options	(20,574)	(42,505)	(19,098)	(38,021)
Tax expenses	(25,366)	(53,378)	(1,524)	(20,556)
Hedge Instrument Effect	11,615	14,540	-	-
Total	(34,325)	(81,343)	(20,622)	(58,577)

B3 will record the expenses relating to the Stock Grant Program which were granted for replacement of unvested options of the Stock Option Plan, for the same fair value of options previously granted, in accordance with CPC 10 (R1)/IFRS 2.

Effects arising from transfer of shares

At June 30, 2019, the cost of shares transferred related to the grants of the Stock Grant Plan amounted to R\$36,887 (R\$52,095 at June 30, 2018).

Pricing model

For options granted under the Stock Grant Plan, the fair value corresponds to the option closing price on the grant date.

For the case of cash-settled share-based compensation programs, the fair value payable to executive officers is recognized as an expense with the corresponding increase in liabilities for the period in which executive officers acquire the right to payment. The liability is measured again at each balance sheet date and on the settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in the income statement.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Stock Grant – Summary/changes

Conversion /Grant Date	Vesting period up to	Fair value of shares on the grant date (R\$ per share)	Number of shares at 12/31/2018	Changes in the period			Outstanding share contracts at 06/30/2019	Dilution percentage (1)
				New Programs	Performed	Canceled		
01/05/2015	01/07/2019	9.22	463,928	-	(440,239)	(23,689)	-	0.00%
01/02/2015	01/02/2019	9.50	509,022	-	(508,422)	(600)	-	0.00%
01/08/2016	01/14/2019	10.52	712,757	-	(697,059)	(15,698)	-	0.00%
01/08/2016	01/13/2020	10.52	527,495	-	(2,463)	(300)	524,732	0.03%
01/08/2016	04/30/2019	10.52	172,697	-	(123,355)	(49,342)	-	0.00%
01/06/2017	01/15/2019	17.05	589,015	-	(568,185)	(20,830)	-	0.00%
01/06/2017	01/15/2020	17.05	578,417	-	(1,587)	(172)	576,658	0.03%
01/06/2017	01/15/2021	17.05	380,249	-	(1,411)	(348)	378,490	0.02%
01/06/2017	04/30/2019	17.05	172,696	-	(129,522)	(43,174)	-	0.00%
03/29/2017	03/29/2019	19.35	201,550	-	(201,550)	-	-	0.00%
03/29/2017	03/30/2020	19.35	302,326	-	-	-	302,326	0.01%
03/29/2017	03/29/2021	19.35	302,326	-	-	-	302,326	0.01%
03/29/2017	01/10/2020	19.35	718,475	-	-	-	718,475	0.04%
03/29/2017	01/10/2021	19.35	718,475	-	-	-	718,475	0.04%
11/13/2017	11/13/2019	22.70	122,914	-	(1,762)	(881)	120,271	0.01%
11/13/2017	11/13/2020	22.70	122,890	-	(1,174)	(1,469)	120,247	0.01%
11/13/2017	11/15/2021	22.70	122,886	-	(881)	(1,762)	120,243	0.01%
01/08/2018	01/15/2019	23.90	692,627	-	(692,627)	-	-	0.00%
01/08/2018	01/15/2020	23.90	690,957	-	(3,214)	(2,119)	685,624	0.03%
01/08/2018	01/15/2021	23.90	690,985	-	(2,247)	(3,086)	685,652	0.03%
01/08/2018	04/30/2021	23.90	172,690	-	-	-	172,690	0.01%
01/08/2018	01/14/2022	23.90	334,750	-	(1,762)	(3,570)	329,418	0.02%
01/08/2019	01/15/2020	27.88	-	710,186	(463)	(1,299)	708,424	0.03%
01/08/2019	01/15/2021	27.88	-	710,186	(231)	(1,530)	708,425	0.03%
01/08/2019	01/17/2022	27.88	-	710,186	(152)	(1,608)	708,426	0.03%
01/08/2019	01/16/2023	27.88	-	710,186	(114)	(1,644)	708,428	0.03%
01/08/2019	04/30/2021	27.88	-	172,690	-	-	172,690	0.01%
9,300,127				3,013,434	(3,378,420)	(173,121)	8,762,020	0.43%

(1) The number of outstanding shares at June 30, 2019 is 2,047,572,047.

b. Stock options - Long-term incentive

B3 entered into commitments with beneficiaries to hold them harmless from any potential liabilities related to the Option Plans. At June 30, 2019, the potential liabilities are recognized for R\$35,516 (R\$34,747 at December 31, 2018).

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

c. Matching Program

The Board of Directors from CETIP approved on November 4, 2015, the Matching Program. The program provides for the possibility of the participant investing a certain percentage of its profit sharing in the B3 shares and in return receiving the equivalent amount in cash from the B3, provided that the grace conditions are met. If the conditions are not met (investment or expiry of the grace period), the right to receive the consideration (matching) will be canceled.

The current Matching Program was implemented by CETIP in April 2017 and granted participants the right to receive the equivalent of 1.38 common share issued by the B3 for each share acquired, totaling the amount equivalent to 554,068 shares issued by B3. In addition to the amount equivalent to matching shares, participants will also be entitled, at the end of each grace period, to receive the amount equivalent to dividends and proceeds resolved by the B3 over each grace period. The granting of the matching shares was divided into 4 equal lots, each one equivalent to 25% of the shares, with a grace period of 12, 24, 36 and 48 months, respectively, from the program implementation date.

The fair value payable is recognized as an expense with the corresponding increase in liabilities for the period in which participants acquire the right to payment. The liability is measured again at each balance sheet date and on the settlement date at the average amount of B3 share of the last 30 trading sessions. Any changes in the fair value of the liability are recognized as personnel expenses in the income statement.

B3 recognized expenses relating to the Matching Plan and related charges amounting to R\$4,811 in the period in B3 and in the consolidated (R\$1,519 in B3 and in consolidated at June 30, 2018).

d. Supplementary pension plan

B3 sponsors private pension plans structured in the defined contribution (DC) type with voluntary participation open to all employees. Due to the merger of CETIP into B3, the two current plans (Mercaprev and Itaú Fundo Multipatrocinado) of the Company will be maintained until the end of 2019. For new hiring of employees of B3, until the end of 2019 the option to adhere the pension plan will only be possible via Mercaprev.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

16. Income tax and social contribution

a. Deferred income tax and social contribution - Changes

The balances of and changes in deferred income and social contribution taxes recognized are as follows:

	B3			
	12/31/2018	(Debt) credit in the income statement	(Debt) credit in the statement of comprehensive income	06/30/2019
Deferred assets				
Tax, civil and labor contingencies	229,436	31,649	-	261,085
Tax loss carryforwards	741,113	(10,014)	-	731,099
Fair Value hedge - derivatives	117,940	(8,864)	-	109,076
Exchange rate variation - shares abroad	8,163	-	(269)	7,894
Impairment	25,238	-	-	25,238
Amortization/depreciation of surplus value	50,376	(5,095)	-	45,281
Revenues to be allocated	29,577	2,815	-	32,392
Investment in CETIP Lux	4,196	4,862	-	9,058
Intangible assets written off in the business combination	11,448	-	-	11,448
Exchange Variation	88,373	(6,033)	-	82,340
Other temporary differences	169,300	(7,536)	-	161,764
Total deferred tax assets	1,475,160	1,784	(269)	1,476,675
Deferred tax liabilities				
Goodwill amortization (1)	(4,625,854)	(239,256)	-	(4,865,110)
Market to market - Financial instruments	(129,545)	12,506	4,468	(112,571)
Exchange rate variation- shares abroad	(11,028)	-	(879)	(11,907)
Research and development of technology innovation	(11,570)	757	-	(10,813)
Surplus value of intangible assets in the business combination	(14,026)	-	-	(14,026)
Investment in CETIP Lux	-	(8,878)	-	(8,878)
Other temporary differences	(27,596)	(743)	-	(28,339)
Total deferred tax liabilities	(4,819,619)	(235,614)	3,589	(5,051,644)
Deferred taxes, net	(3,344,459)	(233,830)	3,320	(3,574,969)

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	Consolidated				
	12/31/2018	(Debt) credit in the income statement	(Debt) credit in the statement of comprehensive income	Acquisition of subsidiary	06/30/2019
Deferred assets					
Tax, civil and labor contingencies	229,463	31,680	-	39	261,182
Tax loss carryforwards	741,113	(9,889)	-	-	731,224
Fair Value hedge - derivatives	117,940	(8,864)	-	-	109,076
Exchange rate variation - shares abroad	8,163	-	(269)	-	7,894
Impairment	25,238	-	-	-	25,238
Amortization/depreciation of surplus value	50,376	(5,095)	-	-	45,281
Revenues to be allocated	29,577	2,815	-	-	32,392
Investment in CETIP Lux	4,196	4,862	-	-	9,058
Intangible assets written off in the business combination	11,448	-	-	-	11,448
Exchange Variation	88,373	(6,033)	-	-	82,340
Other temporary differences	169,301	(7,180)	-	-	162,121
Total deferred tax assets	1,475,188	2,296	(269)	39	1,477,254
Deferred tax liabilities					
Goodwill amortization (1)	(4,625,854)	(239,256)	-	-	(4,865,110)
Marketo To Market - Financial instruments	(129,554)	12,506	4,474	-	(112,574)
Exchange rate variation- shares abroad	(11,028)	-	(879)	-	(11,907)
Research and development of technology innovation	(11,570)	757	-	-	(10,813)
Surplus value of intangible assets in the business combination	(14,028)	-	-	(14,906)	(28,934)
Investment in CETIP Lux	-	(8,878)	-	-	(8,878)
Other temporary differences	(27,594)	(742)	-	(35)	(28,371)
Total deferred tax liabilities	(4,819,628)	(235,613)	3,595	(14,941)	(5,066,587)
Deferred taxes, net	(3,344,440)	(233,317)	3,326	(14,902)	(3,589,333)

(1) Deferred income tax and social contribution liabilities arising from temporary differences between the tax base of goodwill and its carrying amount on the balance sheet, considering that goodwill is still amortized for tax purposes, but is no longer amortized for accounting purposes as from January 1, 2009, resulting in a tax base smaller than the carrying amount of goodwill. This temporary difference may result in amounts becoming taxable in future periods, when the carrying amount of the asset will be reduced or settled, this requiring the recognition of a deferred tax liability.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

b. Estimated realization period

Deferred tax assets arising from temporary differences are recorded in the books taking into consideration their probable realization, based on projections of future results prepared based on internal assumptions and future economic scenarios that may, accordingly, not materialize as expected.

The estimated realization of tax credits and provision for deferred taxes and contributions as at June 30, 2019 are as follows:

	Temporary differences	Income tax and social contribution losses	Total	Provision for deferred taxes and contributions	Total deferred, net
2019	29,993	37,517	67,510	(1,090)	66,420
2020	21,744	2,982	24,726	(2,181)	22,545
2021	16,561	44,075	60,636	(2,168)	58,468
2022	10,368	166,933	177,301	(2,152)	175,149
2023	8,544	284,862	293,406	(2,147)	291,259
2024	4,273	194,730	199,003	(1,074)	197,929
2025	560	-	560	-	560
From 2025 onwards	654,112	-	654,112	(833,620)	(179,508)
Goodwill (1)	-	-	-	(4,222,155)	(4,222,155)
Total	746,155	731,099	1,477,254	(5,066,587)	(3,589,333)

- (1) The deferred tax liability arising from goodwill will be realized when the difference between the goodwill tax base and its carrying amount is reversed, in full or in part, due to impairment of carrying amount of the asset, by disposal or as a result of the provisioning of the amount involved due to the change in the risk assessment of proceedings, currently classified as remote risk of loss, which challenges the amortization, for tax purposes, of goodwill generated in the merger of Bovespa Holding S.A.'s shares into B3 in May 2008 (Note 11 (g)).

Since the income tax and social contribution base arises not only from the profit that may be generated, but also from the existence of nontaxable income, nondeductible expenses, tax incentives and other variables, there is no immediate correlation between B3's net income and the income (loss) subject to income tax and social contribution. As such, expected use of tax credits should not be regarded as the sole evidence of B3's future P&L.

At June 30, 2019, the balance of goodwill that is deductible for income tax and social contribution purposes is R\$4,222,155 (R\$4,925,847 at December 31, 2018)

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

c. Conciliation of income tax and social contribution expense

Conciliation of the income tax and social contribution amounts recorded in P&L (B3 and consolidated) and their respective amounts at statutory rates is as under:

	2019		B3	
	2Q	Accumulated	2Q	Accumulated
Income before income tax and social contribution	790,563	1,518,474	649,148	1,130,135
Income tax and social contribution before additions and exclusions computed at the statutory rate of 34%	(268,792)	(516,282)	(220,710)	(384,246)
Additions:	(11,084)	(29,342)	69,117	63,392
Stock option plan and stock grant plans	-	-	-	(508)
Nondeductible expenses - permanent	(3,703)	(21,961)	13,654	7,904
Exchange rate variation on foreign investment	(7,381)	(7,381)	59,128	60,883
Effect of taxes on income abroad	-	-	(3,665)	(4,887)
Exclusions:	144,070	288,105	226,886	229,877
Equity in income of investees	4,607	9,567	5,206	8,197
Interest on equity	137,249	271,549	221,680	221,680
Effect of profit tax abroad	2,214	4,483	-	-
Exchange rate variation on foreign investment	-	2,506	-	-
Other	12	12	(6)	-
Income tax and social contribution	(135,794)	(257,507)	75,287	(90,977)
Effective rate	17.18%	16.96%	-11.60%	8.05%

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	2019		Consolidated 2018	
	2Q	Accumulated	2Q	Accumulated
Income before income tax and social contribution	797,619	1,533,145	662,075	1,149,682
Income tax and social contribution before additions and exclusions computed at the statutory rate of 34%	(271,190)	(521,269)	(225,106)	(390,892)
Additions:	(11,533)	(30,458)	66,459	59,014
Stock option plan and stock grant plans	-	-	-	(508)
Nondeductible expenses - permanent	(4,152)	(23,077)	10,997	3,526
Exchange rate variation on foreign investment	(7,381)	(7,381)	55,462	55,996
Accession PERT	-	-	-	-
Exclusions:	139,630	279,213	221,773	222,115
Equity in income of investees	167	675	93	435
Interest on equity	137,249	271,549	221,680	221,680
Effect of profit tax abroad	2,214	4,483	-	-
Exchange rate variation on foreign investment	-	2,506	-	-
Other	24	36	6	24
Income tax and social contribution	(143,069)	(272,478)	63,132	(109,739)
Effective rate	17.94%	17.77%	-9.54%	9.55%

d. Taxes to be offset and recoverable

Taxes to be offset and recoverable are as follows:

Description	B3		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
IRPJ/CSLL anticipated – current year	72,135	19,494	73,381	19,494
IRPJ and CSLL tax losses	164,582	55,565	166,212	56,250
IRRF - financial investments - current year	41,463	72,052	41,969	73,017
Foreign taxes to be offset	41,361	38,106	43,520	37,574
PIS/Cofins to be offset	28,830	19,932	29,920	20,489
Sundry taxes	17,461	23,014	18,580	26,086
Total	365,832	228,163	373,582	232,910

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

17. Revenues

	2019		B3 2018	
	2Q	Accumulated	2Q (*)	Accumulated (*)
Gross revenue	1,550,657	3,056,712	1,360,715	2,576,985
Listed	1,016,816	1,971,945	860,370	1,589,534
Cash equities and equities instruments	637,104	1,266,951	507,317	959,400
Trading and post-Trading	542,641	1,081,249	429,352	807,562
Depository	29,582	66,439	29,103	58,668
Securities lending	37,431	71,639	27,870	55,455
Listing and services for issuers	27,450	47,624	20,992	37,715
Interest Rates BRL, FX and commodities	379,712	704,994	353,053	630,134
Trading and post-Trading	379,712	704,994	353,053	630,134
OTC	218,566	459,291	238,922	466,427
Fixed income	131,328	288,097	158,450	312,583
Derivatives	47,760	92,003	44,148	81,882
Others	39,478	79,191	36,324	71,962
Infrastructure for financing	151,046	292,244	111,494	218,282
Technology, data and service	164,229	333,232	149,929	302,742
Technology and access	107,176	214,682	102,951	204,157
Data and analytics	42,663	85,543	37,128	71,625
Others	14,390	33,007	9,850	26,960
Revenue deductions	(156,967)	(308,996)	(134,497)	(256,002)
PIS and Cofins	(130,919)	(257,723)	(112,850)	(214,336)
Service tax	(26,048)	(51,273)	(21,647)	(41,666)
Net revenues	1,393,690	2,747,716	1,226,218	2,320,983

(*) Restatement according to Note 2 (e)(i).

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

	2019		Consolidated 2018	
	2Q	Accumulated	2Q(*)	Accumulated (*)
Gross revenue	1,579,871	3,111,740	1,386,172	2,620,737
Listed	1,016,811	1,971,932	860,365	1,589,640
Cash equities and equities instruments	637,104	1,266,951	507,317	959,516
Trading and post-Trading	542,641	1,081,249	429,352	807,562
Depository	29,582	66,439	29,103	58,668
Securities lending	37,431	71,639	27,870	55,455
Listing and services for issuers	27,450	47,624	20,992	37,831
Interest Rates BRL, FX and commodities	379,707	704,981	353,048	630,124
Trading and post-Trading	379,707	704,981	353,048	630,124
OTC	218,566	459,291	238,922	466,427
Fixed income	131,328	288,097	158,450	312,583
Derivatives	47,760	92,003	44,148	81,882
Others	39,478	79,191	36,324	71,962
Infrastructure for financing	163,176	315,299	120,153	235,806
Technology, data and service	181,318	365,218	166,732	328,864
Technology and access	109,329	217,355	102,951	204,157
Data and analytics	44,449	87,365	37,128	71,625
Bank B3	11,531	23,612	7,913	15,545
Others	16,009	36,886	18,740	37,537
Revenue deductions	(158,792)	(312,419)	(135,648)	(258,291)
PIS and Cofins	(132,137)	(260,068)	(113,652)	(215,932)
Service tax	(26,655)	(52,351)	(21,996)	(42,359)
Net revenues	1,421,079	2,799,321	1,250,524	2,362,446

(*) Restatement according to Note 2 (e)(i).

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

18. Sundry expenses

Description	2019		B3 2018	
	2Q	Accumulated	2Q (*)	Accumulated (*)
Expenses with sundry provisions (1)	(47,865)	(95,700)	20,915	(27,119)
Contributions and donations	(679)	(945)	(1,495)	(3,950)
Electricity, water and sewage	(4,350)	(8,636)	(4,380)	(8,954)
Others	(8,156)	(12,606)	(8,091)	(11,428)
Total	(61,050)	(117,887)	6,949	(51,451)

Description	2019		Consolidated 2018	
	2Q	Accumulated	2Q (*)	Accumulated (*)
Expenses with sundry provisions (1)	(47,967)	(95,994)	18,756	(29,725)
Contributions and donations	(688)	(1,013)	(1,522)	(4,005)
Electricity, water and sewage	(4,401)	(8,758)	(4,479)	(9,156)
Others	(7,454)	(11,589)	(7,063)	(11,093)
Total	(60,510)	(117,354)	5,692	(53,979)

(*) Restatement according to Note 2 (e)(ii).

(1) These refer substantially to provisions for tax, civil and labor contingencies and provision for attorneys' success fees (Note 11). A significant amount of the provision for civil contingencies includes the change in the price of B3-issued shares and the monetary contribution to be paid into the Fund for the Defense of Diffuse Rights, for the purpose of closing the administrative inquiry handled by CADE, whose proposal was included as part of the Consent Order filed on September 11, 2018 and approved, without considering the merits, on October 3, 2018.

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

19. Financial result

			B3	
	2019		2018	
	2Q	Accumulated	2Q	Accumulated
Financial income				
Revenue from financial assets measured at fair value	128,264	235,487	104,311	202,931
Other financial revenues	10,798	19,033	9,344	21,526
Dividends on shares abroad	13,674	13,887	10,531	11,060
(-) PIS and Cofins on financial revenues	(5,794)	(12,511)	(5,279)	(10,643)
	146,942	255,896	118,907	224,874
Financial expenses				
Interest on debt abroad	(38,222)	(73,404)	(42,842)	(74,086)
Instrumento de <i>hedge</i>	(14,222)	(29,341)	(7,334)	(44,292)
Result of cash flow hedge instrument	-	-	11,496	11,029
Funding interest - Debentures	(36,061)	(60,519)	(50,091)	(100,793)
Funding interest - Loans and Financing	(19,160)	(39,056)	(26,164)	(43,125)
Other financial expenses	(5,966)	(9,479)	(3,934)	(6,743)
	(113,631)	(211,799)	(118,869)	(258,010)
Foreign exchange rate, net	29,572	17,643	(248,321)	(257,275)
Financial result	62,883	61,740	(248,283)	(290,411)

			Consolidated	
	2019		2018	
	2Q	Accumulated	2Q	Accumulated
Financial income				
Revenue from financial assets measured at fair value	130,439	239,807	106,631	207,568
Other financial revenues	10,879	19,170	9,373	21,598
Dividends on shares abroad	13,674	13,887	10,531	11,060
(-) PIS and Cofins on financial revenues	(5,827)	(12,575)	(5,313)	(10,714)
	149,165	260,289	121,222	229,512
Financial expenses				
Interest on debt abroad	(38,222)	(73,404)	(42,842)	(74,086)
Instrumento de <i>hedge</i>	(14,222)	(29,341)	(7,334)	(44,292)
Result of cash flow hedge instrument	-	-	11,496	11,029
Funding interest - Debentures	(36,061)	(60,519)	(50,091)	(100,793)
Funding interest - Loans and Financing	(7,087)	(13,723)	(85,180)	(92,090)
Other financial expenses	(6,756)	(11,048)	(3,932)	(7,010)
	(102,348)	(188,035)	(177,883)	(307,242)
Foreign exchange rate, net	8,780	4,124	(499)	(1,929)
Financial result	55,597	76,378	(57,160)	(79,659)

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

20. Segment information

Consolidated information based on reports used by the Executive Board for making decisions, comprising the following segments: Listed, OTC, Infrastructure for Financing and Technology, Data and Services. Due to the nature of the business, the Executive Board does not use any information on assets and liabilities by segment to support decision-making.

	June 30, 2019 Consolidated				
	Listed	OTC	Infrastructure for financing	Technology, data and service	Total
Revenue	1,766,650	405,342	295,436	331,893	2,799,321
Adjusted operating expense	(283,618)	(94,633)	(184,484)	(78,995)	(641,730)
Long-Term Incentive	(44,357)	(12,707)	(5,596)	(27,815)	(90,475)
Other provisions	(66,171)	(14,250)	(4,395)	(12,384)	(97,200)
	1,372,504	283,752	100,961	212,699	1,969,916
Depreciation and amortization					(515,135)
Equity pick-up					1,986
Financial result					76,378
Income tax and social contribution					(272,478)
Net income for the period					1,260,667

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

					30 June, 2018 Consolidated (*)
	Listed	OTC	Infrastructure for financing	Technology, data and service	Total
Revenue	1,430,040	408,795	222,040	301,571	2,362,446
Adjusted operating expense	(312,093)	(79,592)	(108,038)	(69,525)	(569,248)
Long-Term Incentive	(41,423)	(7,888)	(2,718)	(8,585)	(60,614)
Other provisions	(19,387)	(3,015)	(1,411)	(7,422)	(31,235)
	1,057,137	318,300	109,873	216,039	1,701,349
Depreciation and amortization					(473,287)
Equity pick-up					1,279
Financial result					(79,659)
Income tax and social contribution					(109,739)
Net income for the period					1,039,943

(*) Restatement according to Note 2 (e)(i).

21. Other information

- The balance of salary obligations and social charges in the consolidated refers mainly to the profit sharing (PLR) at June 30, 2019 - R\$91,102 (R\$165,656 at December 31, 2018); long-term incentive programs settled in cash (Matching) - R\$7,831 (R\$8,707 at December 31, 2018); charges on long-term incentive programs - R\$82,000 (R\$76,083 at December 31, 2018); 13th salary - R\$20,196 and vacation - R\$60,274 (R \$ 53,693 at December 31, 2018).
- At June 30, 2019, the balance of taxes and contributions payable in the consolidated mainly refers to federal taxes and contributions - R\$83,002 (R\$46,454 at December 31, 2018) and withholding taxes and contributions payable - R\$60,179 (R\$71,656 at December 31, 2018).
- The balance of earnings and rights on securities under custody refers to dividends and interest on equity received from publicly-held companies to be transferred to custodian agents and by them to their customers, who hold ownership of the shares of these publicly-held companies at June 30, 2019, totaling R\$64,191 (R\$59,850 at December 31, 2018).
- B3 seeks in the market support from insurance advisors to establish insurance coverage compatible with its size and operations. The maximum insurance coverage taken out at June 30, 2019, according to insurance policies, is as follows:

B3 S.A. - Brasil, Bolsa, Balcão

Notes to quarterly information

June 30, 2019

(In thousands of reais, unless otherwise stated)

Insurance line	Maximum indemnit
Amounts at risk, property damages, buildings and equipment	223,810
Civil liability	415,000
Guarantee (1)	4,907,870
Works of art	1,040
Total	5,547,720

(1) This refers to the provision of collateral to obtain the suspension of the tax debt enforceability.

- (e) The APBM&FBOVESPA is a not-for-profit entity engaged in promoting educational, social welfare and sports activities is supported by the BM&FBOVESPA Institute that has B3 as its founding member figures as a defendant in legal and administrative proceedings involving tax matters, classified as probable loss, most of which are related to challenges by Brazilian IRS about social security contributions allegedly owed by APBM&FBOVESPA on payments made to third parties and on sponsorships to athletes of the BM&FBOVESPA Athletics Club. If the outcome of these proceedings is not favorable to APBM&FBOVESPA, B3 may have to provide funds to maintain the activities of APBM&FBOVESPA. The amount involved in the aforementioned proceedings at June 30, 2019, totals R\$22,754 (R\$22,359 at December 31, 2018).

22. Events after the reporting period

B3 repurchased 1,962,800 shares between July 1 and 15, 2019, complying with the vesting period determined by CVM Rule 358, under the share buyback program approved by the Board of Directors on June 27, 2019. (Note 12 (b)).

23. Notes submitted in the annual financial statements that are not being fully presented in the quarterly information

In accordance with CPC 21 (R1) – Interim Financial Reporting and CVM/SNC/SEP Circular Letter No. 003/2011, the following notes have been condensed in this quarterly information, compared to the annual financial statements for the year ended December 31, 2018:

Note 1 – Operations;

Note 2 – Preparation and presentation of the quarterly information;

Note 3 – Significant accounting practices;

Note 8 – Intangible assets;

Note 13 – Related parties transaction;

Note 20 – Segment information.