Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

September 30, 2016

with independent auditors' review report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

September 30, 2016

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São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo – SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

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

Independent auditors' review report

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

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual and its subsidiaries ("Bank") for the three-month period ended September 30, 2016, which comprise the consolidated balance sheet as of September 30, 2016 and the related consolidated statements of income for the three and nine-month periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes.

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

Scope of review

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

Conclusion

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

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Emphasis of matter

i) As of September 30, 2016, the jointly controlled subsidiary Banco Pan S.A., reviewed by other independent auditors who issued its review report on its financial statements on November 07, 2016, has deferred tax assets recorded on its balance sheet amounting to R$ 3.3 billion, recognized based on long-term deferred tax realization projection. This deferred tax realization projection was reviewed by Banco Pan S.A.'s management based on current and future scenarios analysis and approved by its Board of Directors on August 1st, 2016, which main assumptions used were the macroeconomics indexes for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco Pan S.A. Our conclusion is not qualified in respect of this matter.

ii) We draw attention to Note nº 1 to the interim consolidated financial statement, which indicates the actions implemented by the Bank since the November 25, 2015 events that impacts its operations, including the investigation process, which was completed at April 7, 2016, measures to preserve capital, to maintain liquidity related to dividend distributions, among others. Our conclusion is not qualified in respect of this matter.

Other matters

Consolidated Statement of value added

We have also reviewed the consolidated statement of value added (SVA), for the nine-month period ended at September 30, 2016, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices applicable to institutions accredited by the Central Bank of Brazil. This consolidated statement has 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 the statement of value added is not fairly presented, in all material respects, in relation to the overall interim consolidated financial statements.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the three-month period ended at September 30, 2016 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil for which we issued an unqualified independent auditors' review report, but with the same emphasis of matters, on this same date.

São Paulo, November 08, 2016.

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

Grégory Gobetti
Accountant CRC – 1PR 039.144/O-8

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at September, 30, 2016 and December 31, 2015
(In thousands of reais)

	Note	30/09/2016	31/12/2015
Assets			
Current assets		81,639,286	202,429,281
Cash at banks	6	572,180	20,490,900
Short-term interbank investments	7	25,178,142	32,584,347
Open market investments		23,902,571	17,381,711
Interbank deposits		1,275,571	15,202,636
Securities and derivative financial instruments		28,458,800	62,421,102
Own portfolio	8	9,834,912	14,421,545
Subject to repurchase agreements	8	2,560,678	3,406,152
Subject to unrestricted repurchase agreements	8	290,013	591,054
Derivative financial instruments	9	13,451,679	37,722,151
Subject to guarantees	8	2,321,518	6,280,200
Interbank transactions		1,410,730	1,594,814
Deposits in the Central Bank of Brazil		1,410,730	1,594,814
Loans	10	3,836,184	36,155,866
Loans		4,206,452	37,563,511
Transferred loans with coobligation		-	85,436
Allowance for loan losses		(370,268)	(1,493,081)
Other receivables		22,109,595	49,101,502
Foreign exchange portfolio	11	13,717,551	11,770,493
Income receivable	12	701,506	1,427,993
Securities trading and brokerage	11	3,118,034	12,906,141
Sundry	12	4,704,528	23,354,131
Allowance for losses on other receivables	10	(132,024)	(357,256)
Other assets		73,655	80,750
Other assets		1,681	3,371
Prepaid expenses		71,974	77,379
Long-term-assets		23,674,894	43,802,303
Long-term interbank investments	7	-	2,193
Interbank deposits		-	2,193
Securities and derivative financial instruments		8,309,422	15,247,900
Own portfolio	8	426,007	1,173,681
Derivative financial instruments	9	2,113,748	6,430,977
Subject to repurchase agreements	8	2,110,494	4,852,313
Subject to guarantees	8	3,659,173	2,790,929
Interbank transactions		286,286	326,436
Restricted credits – National Housing System		286,286	326,436
Loans	10	5,584,762	19,509,185
Loans		5,768,610	19,951,536
Allowance for loan losses		(183,848)	(442,351)
Other receivables		9,409,088	8,544,765
Income receivable	12	199,588	364,442
Sundry	12	9,210,790	8,186,966
Allowance for losses on other receivables	10	(1,290)	(6,643)
Other assets		85,336	171,824
Temporary investments		52,149	52,149
Other assets		64,235	109,342
Prepaid expenses		15,211	57,502
Provision for losses		(46,259)	(47,169)
Permanent assets		13,714,146	8,317,098
Investments		13,168,325	6,659,435
Investments in associates and jointly controlled entities - in Brazil	13	1,633,332	1,728,834
Investments in associates and jointly controlled entities - abroad	13	11,513,435	4,892,849
Other investments		25,056	41,250
Allowance for losses		(3,498)	(3,498)
Property and equipment in use		98,233	738,347
Property in use		7,758	434,228
Other property and equipment in use		245,147	475,075
Accumulated depreciation		(154,672)	(170,956)
Deferred charges		15,044	25,620
Amortization and expansion costs		66,896	79,340
Accumulated amortization		(51,852)	(53,720)
Intangible assets	14	432,544	893,696
Other intangible assets		1,317,523	1,712,186
Accumulated amortization		(884,979)	(818,490)
Total assets		119,028,326	254,548,682

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at September, 30, 2016 and December 31, 2015
(In thousands of reais)

	Note	30/09/2016	31/12/2015
Liabilities			
Current liabilities		67,730,136	189,342,301
Deposits	15	6,147,922	81,973,054
Demand deposits		89,374	64,196,932
Interbank deposits		146,745	1,386,036
Time deposits		5,911,803	16,390,086
Open market funding	15	22,479,019	17,114,887
Own portfolio		4,311,728	8,067,513
Third-party portfolio		12,566,180	6,244,030
Free trading portfolio		5,601,111	2,803,344
Funds from securities issued and accepted	15	6,070,564	9,038,926
Real estate, mortgage, credit and similar notes		5,717,588	6,632,767
Securities issued abroad		343,766	2,388,077
Certificates of structured transactions		9,210	18,082
Interbank transactions		6,245	7,168
Unsettled receipts and payments		6,245	7,168
Loans and onlending	15	1,389,855	5,583,459
Loans abroad		995,668	4,882,620
Loans in Brazil		331,052	660,264
Onlending in Brazil		63,135	40,575
Derivative financial instruments	9	11,563,471	36,017,438
Derivative financial instruments		11,563,471	36,017,438
Other liabilities		20,073,060	39,607,369
Collection and payments of tax and similar charges		5,284	4,390
Foreign exchange portfolio	11	13,446,232	11,643,842
Social and statutory	16	1,173,847	1,877,809
Tax and social security	16	43,221	2,286,615
Securities trading and brokerage	11	3,951,031	12,655,340
Subordinated debt	15	1,228,786	1,048,142
Sundry	16	224,659	10,091,231
Long-term liabilities		29,694,376	44,953,372
Deposits	15	3,065,126	4,770,466
Interbank deposits		69,864	89,331
Time deposits		2,995,262	4,681,135
Open market funding	15	340,545	3,193,323
Own portfolio		340,545	365,049
Free trading portfolio		-	2,828,274
Funds from securities issued and accepted	15	5,241,164	10,520,309
Real estate, mortgage, credit and similar notes		2,956,305	6,305,926
Securities issued abroad		2,284,859	4,214,383
Loans and onlending	15	2,496,395	2,514,161
Loans abroad		-	1,622
Loans in Brazil		-	157,068
Onlending in Brazil		2,496,395	2,355,471
Derivative financial instruments	9	2,068,772	6,309,532
Derivative financial instruments		2,068,772	6,309,532
Other liabilities		16,482,374	17,645,581
Tax and social security	16	2,025,623	1,457,600
Subordinated debt	15	6,589,017	7,249,096
Debt instrument eligible to capital	15	4,196,640	5,160,397
Sundry	16	3,671,094	3,778,488
Deferred income		148,968	310,375
Non-controlling interest		140,367	229,370
Shareholders' equity	19	21,314,479	19,713,264
Capital - domiciled in Brazil		4,727,289	4,687,290
Capital - domiciled Abroad		2,493,237	2,493,236
Capital Reserve		3,960,000	-
Fair value of assets available for sale		38,482	143,614
Income reserves		7,967,259	12,521,518
Treasury shares		-	(132,394)
Retained earnings		2,128,212	-
Total Liabilities and Shareholders' equity		119,028,326	254,548,682

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Nine-month period and quarters ended September 30
(In thousands of reais, except net income per share)

	Note	Quarter ended: 30/09/2016	Quarter ended: 30/09/2015	Nine-month period ended: 30/09/2016	Nine-month period ended: 30/09/2015
Financial income		2,673,493	6,142,622	11,052,915	12,251,717
Loans		466,291	1,269,455	1,570,203	2,604,092
Securities		2,370,539	4,390,598	3,441,383	9,634,099
Derivative financial instruments		(582,302)	-	3,900,286	-
Foreign Exchange		373,716	451,179	1,994,023	(68,826)
Mandatory investments		45,249	31,390	147,020	82,352
Financial expenses		(2,057,125)	(7,851,255)	(4,727,100)	(14,318,601)
Funding operations		(1,638,842)	(2,755,938)	(5,320,671)	(7,795,480)
Borrowing and onlending		(419,442)	(3,837,037)	635,559	(6,232,805)
Derivative financial instruments		-	(1,505,152)	-	(352,614)
Allowance for loan losses and other receivables	10	1,159	246,872	(41,988)	62,298
Net financial income / (loss)		616,368	(1,708,633)	6,325,815	(2,066,884)
Other operating income / (expenses)		(191,659)	656,761	(2,452,785)	1,799,413
Income from services rendered	20	827,056	939,700	2,327,731	2,206,986
Personnel expenses		(463,750)	(489,145)	(1,540,584)	(1,036,010)
Other administrative expenses	23	(702,139)	(656,311)	(1,924,114)	(1,292,185)
Tax charges		(126,849)	150,129	(462,772)	(59,418)
Equity in the earnings of associates and jointly controlled entities	13	244,157	1,489,982	(702,181)	2,465,833
Other operating income	21	257,186	504,483	942,186	1,463,951
Other operating expenses	22	(227,320)	(1,282,077)	(1,093,051)	(1,949,744)
Operating income		424,709	(1,051,872)	3,873,030	(267,471)
Non-operating income	2	77,818	493,965	562,245	1,544,813
Income before taxation and profit sharing		502,527	(557,907)	4,435,275	1,277,342
Income tax and social contribution	18	5,428	2,852,291	(1,198,674)	3,735,917
Provision for income tax		201,399	(324,444)	(219,256)	(822,030)
Provision for social contribution		22,238	(89,259)	(148,510)	(250,331)
Deferred income tax and social contribution		(218,209)	3,265,994	(830,908)	4,808,278
Statutory profit sharing		174,505	(503,552)	(556,057)	(1,058,490)
Non-controlling interest		34,619	57,215	48,254	124,756
Net income for the quarter / period		717,079	1,848,047	2,728,798	4,079,525
Interest on equity	19	-	-	(500,000)	(422,000)
Weighted average numbers of share outstanding		2,869,132,343	2,748,536,622	2,764,384,777	2,726,113,682
Net income per share - R$		0.25	0.67	0.99	1.50

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – Parent company

Nine-month period ended September 30

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

				Income reserves								
	Note	Capital	Capital increase	Special earnings reserve	Legal	Unrealized	Statutory	Total	Fair value adjustments	Treasury shares	Retained earnings	Total
Balances as at December 31, 2014		6,406,863	-	-	626,595	2,467,107	5,137,855	8,231,557	40,442	-	-	14,678,862
Capital Increase	19	773,663	-	-	-			-	-		-	773,663
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(89,378)	-	-	(89,378)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	(2,379)	-	-	(2,379)
Dividends paid by previous years (R$0.04 per share)	19	-		-	-	-	(106,130)	(106,130)	-	-	-	(106,130)
Net income for the period		-	-	-	-	-	-	-	-	-	4,079,525	4,079,525
Net income allocation												
Income reserve		-	-	-	111,574	-	-	111,574	-	-	(111,574)	-
Intermediate interest on equity (R$0.16 per share)	19	-	-	-	-	-	-	-	-	-	(422,000)	(422,000)
Intermediate dividends (R$0.05 per share)	19	-	-	-	-	-	(47,324)	(47,324)	-	-	-	(47,324)
Balances as at September 30, 2015		7,180,526	-	-	738,169	2,467,107	4,984,401	8,189,677	(51,315)	-	3,545,951	18,864,839
Balances as at December 31, 2015		7,180,526	-	-	907,770	5,389,109	6,170,174	12,467,053	143,614	(132,394)	-	19,658,799
Capital Increase	19	40,000	3,960,000	-	-		(4,000,000)	(4,000,000)				-
Own shares acquired	1	-	-	-	-	-	-	-	-	(522,451)	-	(522,451)
Cancelation of treasury shares	1	-	-	-	-	-	(654,845)	(654,845)	-	654,845		-
Interest on equity (R$0.07 per share)	19	-	-	250,000	-	-	(250,000)	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(103,261)	-	-	(103,261)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	(1,871)	-	-	(1,871)
Net income for the period		-	-	-	-	-	-	-	-	-	2,728,798	2,728,798
Net income allocation												
Income reserve		-	-	-	100,586	(473,546)	473,546	100,586	-	-	(100,586)	-
Intermediate interest on equity (R$0.19 per share)	19	-	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Balances as at September 30, 2016		7,220,526	3,960,000	250,000	1,008,356	4,915,563	1,738,875	7,912,794	38,482	-	2,128,212	21,260,014

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Nine-month period ended September 30
(In thousands of reais)

	Note	30/09/2016	30/09/2015
Operating activities			
Net income for the period		2,728,798	4,079,525
Adjusts to net income		4,019,211	(5,164,594)
Equity pick up from associates and jointly controlled entities	13	702,181	(2,465,833)
Interest expense with subordinated debt		2,056,353	2,108,488
Deferred income tax and social contribution		830,908	(4,808,278)
Goodwill amortization	22	126,815	146,240
Goodwill exchange variation	14	48,694	(195,845)
Permanent assets exchande variation		43,916	(29,464)
Depreciation and amortization	23	210,344	80,098
Adjusted net income / (loss) for the period		6,748,009	(1,085,069)
Increase/decrease in operational activities			
Short-term interbank investments		(1,196,822)	6,398,582
Securities and derivative financial instruments		2,276,415	(10,633,158)
Loans		15,995,369	(4,235,515)
Other receivables and other assets		11,284,497	(4,392,088)
Interbank transactions		223,311	(521,164)
Other liabilities		(85,454)	1,079,124
Deferred income		(161,407)	169,392
Deposits		(33,262,191)	1,962,040
Open market funding		3,225,163	4,667,348
Loans and onlending		(1,413,852)	5,299,417
Cash provided by / (used in) by operating activities		3,633,038	(1,291,091)
Investing activities			
Sale of other investment		16,194	4,753
Sale of investments	13	8,640	1,028,405
Acquisition of equity interests	13	-	(611,709)
Dividends and interest on equity received	13	128,775	140,210
Acquisition of property and deferred charges		(47,476)	(92,176)
Sale of property and deferred charges		30,745	41,987
Acquisition of intangible assets		(24,817)	(39,541)
Business combination / desconsolidation, net of cash		(14,274,581)	12,687,350
Sale of intangible assets		-	16,843
Cash (used ind) / provided by investing activities		(14,162,520)	13,176,122
Financing activities			
Acquisition / sale of treasury shares		(522,451)	-
Funds from securities issued and accepted		(8,247,507)	4,258,450
Subordinated debt and debt instrument eligible to equity		(3,499,545)	1,762,603
Non-controlling interest		(89,003)	(206,238)
Interest on equity	19	(492,754)	(720,200)
Dividends distributed	19	-	(153,454)
Cash (used in) / provided by financing activities		(12,851,260)	4,941,161
(Decrease) / increase in cash and cash equivalents		(23,380,742)	16,826,192
Balance of cash and cash equivalents	25		
At the beginning of the period		38,429,340	22,422,310
At the end of the period		15,048,598	39,248,502
(Decrease) / increase in cash and cash equivalents		(23,380,742)	16,826,192
Non-cash transaction			
Debentures converted on shares		-	(985,979)
Subsidiary merger		-	773,663
Credit renegotiation		-	1,202,770
Interest on equity payable		500,000	-
Acquisition of equity interests		(9,217,398)	-
Sale of investments		1,850,849	-
Changes in fair value of assets available for sale		(103,261)	(2,379)
Interest on equity		250,000	-

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Nine-month period ended September 30
(In thousands of reais)

	30/09/2016	30/09/2015
Income	13,750,038	15,649,483
Financial brokerage	11,052,915	12,320,543
Services rendered	2,327,731	2,206,986
Allowance for loan losses and other receivables	(41,988)	62,298
Other	411,380	1,059,656
Expenses	(4,685,112)	(14,449,725)
Financial brokerage	(4,685,112)	(14,449,725)
Inputs acquired from third parties	(1,579,106)	(1,115,129)
Materials, energy and other	(14,184)	(26,806)
Outsourced services	(1,564,922)	(1,088,323)
Gross value added	7,485,820	84,629
Depreciation and amortization	(210,344)	(80,098)
Net value added produced by the entity	7,275,476	4,531
Value added received through transfer	(702,181)	2,465,833
Equity in the earnings of associates and jointly controlled entities	(702,181)	2,465,833
Value added to be distributed	6,573,295	2,470,364
Distribution of value added	6,573,295	2,470,364
Personnel	2,096,641	2,094,500
Direct compensation	1,758,734	1,868,512
Benefits	179,526	117,919
FGTS – government severance pay fund	158,381	108,069
Taxes, fees and contributions	1,661,447	(3,676,524)
Federal	1,566,092	(3,764,623)
Municipal	95,355	88,099
Remuneration of third party capital	134,663	97,620
Rent expenses	134,663	97,620
Remuneration of shareholders	2,680,544	3,954,768
Interest on equity	(500,000)	422,000
Dividends	-	47,324
Retained earnings	3,228,798	3,610,200
Non-controlling interest	(48,254)	(124,756)

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

1. Operations

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

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

The Bank and BTGP (the "Companies") have units listing on NYSE Euronext in Amsterdam and BM&F BOVESPA in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share, class A, and 2 preferred shares, class B of BTG Pactual Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

BTG Pactual continues to implement measures to improve liquidity and preserve capital; and it understands that the measures implemented, particularly the sale of BSI, spin-off of commodities as well as the cost reduction program, brought it to levels of liquidity and capital higher than its historical levels. In addition, the bonds and share (unit) prices have increased significantly demonstrating positive perception from market and investors.

Special Committee

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

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

Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 71,904,350 units have been repurchased in the total amount of R$ R$974,639. As of September 30, 2016, all units were canceled.

Liability Repurchase

During the period ended September 30, 2016 and year ended December 31, 2015 the Group repurchased liabilities and early liquidated liabilities, including some of the outstanding balance of senior and subordinated non-cumulative perpetual notes (tier I), with no impact on our capital base.

Additionally, in connection with the material fact from December 4, 2015, related to agreements with the FGC, additional measures were implemented, aiming to preserve the Group liquidity, comprising (i) strict the dividend distribution to the minimum amount required by our by-laws (1% of adjusted net income), (ii) defer the payment of interest on equity declared to shareholder's, on December 2015, (iii) suspension of payment of variable compensation to managers and the fixed remuneration increase, (iv) suspension of any loans to the partnership members.

The Bank board of directors understands that those measures are sufficient to fulfill the Group obligation's in both the short and medium terms, and strengthen its current liquidity. The cash level, measured by high quality liquid assets was higher than as at November 25, 2015. On September 30, 2016, short-term liquidity KPI is equivalent to 123% to the Bank.

The consolidated financial statements were approved by Bank's Management on November 8, 2016, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

2. Corporate reorganization and acquisitions

Corporate events

As at September 2015, the restructuring process of Eneva S.A. ("Eneva") was completed. As a result, part of the loans held by the Bank were converted into interest in the company and the Bank has also contributed new assets in the company. As at September 30, 2016, the Bank has a stake equivalent to 33.7% (2015: 49.7%) of the total capital of Eneva. As a result of the completion of the Eneva's restructuring process and its share market price, fair value in the amount of R$259 million were recognized in the quarter ended September 30, 2016.

In April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazil energy trading desk from the operational structure of BTG Pactual and to rearrange the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners ("Engelhart CTP"). The Commodities Platform will operate separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. On September 30, 2016, the Engelhart CTP shareholders' equity is approximately US$1,5 billion. It is anticipated that a portion of such equity will be held by senior employees of Engelhart CTP under an incentive program. Up to five years after the completion of the separation, Engelhart CTP will have the option to acquire its remaining equity interest held by Banco for its shareholders' equity value.

BTG Pactual expects to the delivery approximately 65% of its equity stake in Engelhart CTP to BTG Pactual's shareholders and, upon completion of it, BTG Pactual is aiming should no longer to consolidate the assets and liabilities of Engelhart Engelhart CTP for accounting and regulatory purposes and, accordingly, BTG Pactual will recognize the remaining stake as an investment in an associate entity based on the equity method. On July 19, 2016 the Bank formally initiated the separation of its commodity trading activities.The completion of the separation is described on Note 26.

Acquisitions and disposals

On April 20, 2016, BTG Pactual informed its shareholders and the market in general that on this date purchase and sale agreements were entered into, whereby CNP Assurances S.A. undertook to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of said transactions plus any dividends to be distributed to the their respective shareholders until said completion date, in accordance with the relevant agreements. The transaction is subject to the conclusion of certain commercial discussions and regulatory approvals.

In February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO"). In the period ended on September 30, 2016, the non-operating income is comprised substantially by the results of this transaction.

As at October 30, 2015, the Bank sold one of its energy trading entities entity with contracts evaluated in R$1.8 billion for the total amount of R$2 billion, of which R$200 million was received on the transaction date and the remaining amount would be received over five years in semiannual installments, subject to price changes.

In April, 2015, the Bank through one of its subsidiaries, converted debentures in the amount of R$986 million, issued by Rede D'Or, and received shares equivalent to 21.1% of its equity, which generated a goodwill in the amount of R$650 million. In May, 2015, Rede D'Or received a capital increase which diluted the Bank interest to 19.4% and generated an equity pickup gain of R$269 million, net of proportional goodwill amortization. Additionally, during the year ended December 31, 2015, BTG Pactual sold its remaining investment in Rede D'Or and recognized an gain of R$2.7 Billion. Also, the sale contracts contain terms that might change the receivable amount of the Bank, in case the share price of an initial public offering does not reach a certain price. On September 30, 2016, the Bank estimated that the value of these terms is zero.

On December 31, 2015, the Bank entered into a sale commitment of its full ownership in Recovery do Brasil Consultoria S.A ("Recovery"), by the total amount of R$1.2 billion, as per described: (i) transfer of ordinary shares, equivalents to 81.94% of Recovery share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL I ("FIDC NPL I"), equivalents to 69.34% of the fund's total investment, and; (iii) transfer of debentures not convertible issued by Renova Companhia Securitizadora de Créditos Financeiros S.A. ("Renova"). On the same date, the referred assets were transferred to held for sale, measured at fair value. The transaction generated a gain of R$560 million. On February 17, 2015, the sale transaction was approved by Conselho Administrativo de Defesa Econômica (CADE) and on March 31, 2016 the transaction was settled.

BTG Pactual Group has entered into a joint venture to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, as at July 10, 2014, the Bank acquired 100% of the shares of Ariel Re (Holdings) Limited's operations ("Ariel"), a non-life international reinsurance group, based in London and Bermuda, that specializes in property catastrophe reinsurance. On January 12, 2015, the acquisition of Ariel was approved by the Brazilian Central Bank and on February 3, 2015, it was settled. In April 2015, the transfer of 50% of interest on Ariel to the joint venture was concluded.

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement of BSI, a Swiss financial institution subsidiary of Generali Group. On September 30, 2015, the acquisition was concluded and the aggregate consideration paid by Banco BTG Pactual was CHF1,248 million (R$4,935 million) as per the exchange rate on the date of acquisition, and it consisted of: (i) CHF1,048 (R$4,162 million) in cash totally paid in September 2015, and (ii) shares in the amount of CHF200 million (R$773 million). The shares issuance, mentioned above, was approved by the Brazilian Central Bank on November 3, 2015.

In addition, Generali NV used part of the cash proceeds CHF50 million (R$203 million) to fund the acquisition of a corresponding number of equity interests of BTG Pactual Participations needed to form units of the BTG Pactual Group.

The table below presents a summary of the transaction under BR GAAP:

	Acquisiton date (in thousands of reais)
Cash and cash equivalent	16,889,023
Short-term interbank investments	15,224,291
Securities and derivative financial instruments	8,674,372
Loans	53,405,471
Allowance for loan losses	(734,726)
Deposits	(75,739,691)
Open market funding and derivative financial instruments	(3,992,057)
Other assets and liabilities	(8,641,827)
Net assets acquired	5,084,856
Consideration paid	
Cash	4,161,728
Shares	773,663
Total consideration paid	4,935,391
Transactions costs capitalized	39,945
Negative goodwill	(109,520)
Business combination, net of cash	12,687,350

On February 22, 2016, BTG Pactual entered into a definitive agreement under which EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland, will acquire BSI S.A ("BSI") in a cash and stock transaction. The completion of the transaction is described on Note 26.

3. Presentation of the financial statements

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

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

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

a. Consolidated financial statements

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

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

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

		Equity interest - %	
	Country	30/09/2016	31/12/2015
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	71.28	71.28
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual TTG Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Inversiones Limitada	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00

	Country	Equity interest - % 30/09/2016	31/12/2015
BTG Pactual Chile Servicios Empresariales Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Chile International Corp.	Chile	100.00	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTGP Corp SAS	Colombia	100.00	100.00
BTGP S.A.	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
Engelhart CTP Holding (UK) LTD	UK	(*)	100.00
Engelhart CTP (Brazil) SA	Brazil	(*)	99.99
Engelhart CTP (UK) LLP	UK	(*)	100.00
Engelhart CTP (Singapore) PTE LTD	Singapore	(*)	100.00
Engelhart CTP (Switzerland) SA	Switzerland	(*)	100.00
Engelhart CTP Holding (US) LLC	USA	(*)	100.00
Engelhart CTP (US) LLC	USA	(*)	100.00
Engelhart CTP (Kenya) Limited	Kenya	(*)	100.00
Engelhart CTP (South Africa) Proprietary Limited	South Africa	(*)	100.00
Engelhart CTP (Argentina) SA	Argentina	(*)	100.00
Engelhart Warehousing (Singapore) PTE Limited	Singapore	(*)	100.00
Engelhart CTP (Shanghai) CO LTD	China	(*)	100.00
Engelhart Warehousing (US) LLC	USA	(*)	100.00
Engelhart Warehousing (UK) Limited	UK	(*)	100.00
Engelhart CTP Trading (US) LLC	USA	(*)	100.00
Engelhart CTP (Ukraine)	Ukraine	(*)	100.00
Engelhart CTP (Italy) SRL	Italy	(*)	100.00
Engelhart CTP (Costa Rica) S.r.l.	Costa Rica	(*)	100.00
Engelhart CTP (Colombia) SAS	Colombia	(*)	100.00
Engelhart CTP (Rus) Limited Liability Company	Russia	(*)	100.00
Engelhart CTP Absolute Return Limited	Cayman	(*)	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	(*)	100.00
BSI S.A.	Switzerland	(*)	100.00
BSI SA - Italian Branch	Italy	(*)	100.00
BSI SA - Hong Kong Branch	Hong Kong	(*)	100.00
BSI Art Collection S.A.	Luxembourg	(*)	100.00
BSI Art Collection (Svizzera) S.A.	Switzerland	(*)	100.00
BSI Asset Managers SAM	Monaco	(*)	100.00
BSI Bank (Panama) S.A.	Panama	(*)	100.00
BSI Bank Limited	Singapore	(*)	100.00
BSI Europe S.A.	Luxembourg	(*)	100.00
BSI Fund Management S.A.	Luxembourg	(*)	100.00
BSI Laran S.A.	Switzerland	(*)	100.00
BSI Monaco SAM	Monaco	(*)	100.00
BSI Overseas (Bahamas) Ltd.	Bahamas	(*)	100.00
BSI Trust Corporation (Malta) Ltd.	Malta	(*)	100.00
EOS Servizi Fiduciari SpA	Italy	(*)	100.00
Oudart S.A.	France	(*)	100.00
Oudart Gestion S.A.	France	(*)	100.00
Oudart Patrimoine S.A.	France	(*)	100.00
Patrimony 1873 S.A.	Switzerland	(*)	100.00
BTGP-BSI Limited	UK	(*)	100.00
BTG Pactual Holding AG	Switzerland	(*)	100.00
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
Nala Fundo de Investimento em Participações	Brazil	-	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Caixa BTG Pactual Multisegmentos	Brazil	-	100.00
BTG Pactual Gewinnstrategie Fundo de Investimento Multimercado Crédito Privado	Brazil	-	100.00
Fundo de Investimento em Participações Quartzo	Brazil	-	100.00

		Equity interest - %	
	Country	30/09/2016	31/12/2015
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Mall Fundo de Investimento Imobiliário	Brazil	-	100.00
Fundo de Investimento Imobiliário BTG Pactual Shopping	Brazil	-	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
Caravelas Fundo de Investimento em Ações	Brazil	-	56.00
BTG Pactual Absolute Return III Master Fund LP	Cayman	100.00	100.00
CCF Ltd	Cayman	-	100.00
CCMF Ltd	Cayman	-	100.00
FI Imobiliario Property Invest	Brazil	100.00	100.00
BTG CMO FIM CP – IE	Brazil	100.00	100.00
BTG Pactual Real Estate Fund Ltd	Cayman	100.00	100.00
B-2 Fundo de Investimento Multimercado	Brazil	-	100.00
BTG Pactual Absolute Return III Limited	Brazil	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	-

(*) Management decided to no longer consolidate the balance sheets of BSI and Engelhart CTP and their subsidiaries as at September 30, 2016 due to: (i) both the sale of BSI and the separation of Engelhart CTP were substantially concluded as a result of regulatory approvals obtained till then; (ii) the completion of both transactions was deemed highly probable as at September 30, 2016; (iii) both transactions were concluded before the issuance of these financial statements; and (iv) the presentation of their balances on the consolidated balance sheets of Banco BTG Pactual or the combined balance sheets of BTG Pactual Group would conflict with the objective to provide relevant information for the market. The remaining equity interest in Engelhart CTP (c. 36%) and the acquired interest in EFG (30%), as a result of the sale of BSI, will be accounted using the equity pick up method. BSI and Engelhart CTP's results and cash flows will no longer be consolidated from October onwards and both transactions did not generate effects in the results of BTG Pactual Group. Banco BTG Pactual consolidated Engelhart CTP and BSI for regulatory purposes as at September 30, 2016, and therefore the operational limits information presented (see Note 5) is not affected by the sale and separation of BSI and Engelhart CTP, respectively.

b. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate.
The financial statements of the companies abroad, originally stated in their functional currencies, were translated into reais at the foreign exchange rates on the reporting dates.

The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature.

4. Significant accounting practices

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

a. Cash and cash equivalents

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

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

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

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

i. Trading securities

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

ii. Available for sale securities

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

iii. Held-to-maturity securities

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

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

d. Derivative financial instruments

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

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

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

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

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

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

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

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

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

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

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

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

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

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

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

i. Allowance for loan losses

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.

- Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

j. Investment property

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

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

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

k. Inventories

Trading-related inventories are stated at fair value, less cost to sell, which is the estimated selling price of the inventories using assumptions of market participants in its highest and best use which is physically possible, legally permissible and financially feasible. If the location is a characteristic of an asset, the price in the principal (or most advantageous) market is adjusted to estimate costs that would be incurred to transport the asset from its current location to that market.

The selling price is estimated based on or derived from the primary market to which the Company has access, or in the absence of a primary market, the most advantageous market. The primary or most advantageous market can be a financially settled market against which inventory purchase and sales prices are benchmarked.

l. Investments

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

m. Goodwill and negative goodwill

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

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

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

n. Property and equipment in use and deferred charges

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

o. Intangible assets

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company, (ii) for acquired rights of assets management contracts, and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

p. Impairment on non-financial assets

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

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

q. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R$240, and 20% for social contribution of financial institutions and 9% for non-financial institutions.

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

Recognized according to the criteria described below:

i. Contingent assets

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

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

iii. Legal obligation – tax and social security

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

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

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

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas.

a. Operating limits

	30/09/2016	31/12/2015
Reference Shareholders' Equity	21,260,014	19,658,799
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	21,314,479	19,713,264
Tier I	22,875,139	22,348,819
Common Equity	18,692	17,206,110
Complementary Equity	4,183,533	5,142,708
Tier II	3,420,868	3,977,264
Reference Shareholders' Equity (PR) - (a)	26,296,007	26,326,083
Required Reference Shareholders' Equity (PRE)	16,863,294	18,742,699
Total exposure risk-weighted - (b)	16,863,294	18,742,699
Credit risk	10,321,981	13,766,340
Operational risk	334,364	83,440
Market risk	6,206,949	4,892,919
Basel ratio - (a/b*11%)	16.40%	15.5%
Tier I capital	14.20%	13.1%
Tier II capital	2.20%	2.3%
Fixed assets ratio	63.1%	69.9%
Fixed assets to equity capital ratio	13,142,562	13,156,602
Status for fixed assets to equity capital ratio	8,287,729	9,193,675
Amount of margin (insufficiency)	4,854,833	3,962,927

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

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

As at the period ended September 30, 2016 and year ended December 31, 2015 the Bank was in compliance with all operating limits.

b. Market risk

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

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

The table below contains the Bank's daily average VaR for the periods ended as follows:

In millions of R$	**September 2016**	**December 2015**	**September 2015**
Daily average VaR	139.5	170.7	130.7

c. Credit risk

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

d. Liquidity risk

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

e. Operating risk

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

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

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

6. Cash at banks

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

7. Interbank investments

	30/09/2016					31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	23,902,571	23,901,558	1,013	-	-	17,381,711
Own portfolio	6,151,292	6,150,862	430	-	-	5,648,295
Federal government bonds	6,093,198	6,092,768	430	-	-	5,003,202
Corporate bonds	58,062	58,062	-	-	-	465,816
Foreign government bonds	32	32	-	-	-	179,277
Third-party portfolio	13,768,325	13,767,742	583	-	-	8,690,279
Federal government bonds	13,723,697	13,723,114	583	-	-	8,680,308
Corporate bonds	2,623	2,623	-	-	-	9,971
Foreign government bonds	42,005	42,005	-	-	-	-
Short position	3,982,954	3,982,954	-	-	-	3,043,137
Federal government bonds	3,889,365	3,889,365	-	-	-	3,043,137
Foreign government bonds	93,589	93,589	-	-	-	-
Interbank investments (*)	1,275,571	1,272,103	3,468	-	-	15,204,829
Interbank deposit certificates	498,019	494,551	3,468	-	-	227,956
Investments in foreign currency - overnight	777,552	777,552	-	-	-	14,976,873
	25,178,142	25,173,661	4,481	-	-	32,586,540

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

The collateral received in repurchase agreements amounts to R$24,196,784 (December 31, 2015 - R$17,525,922), whereas the collateral granted amounts to R$22,801,341 (December 31, 2015 - R$20,377,207).

8. Securities

a. By type of portfolio

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

	30/09/2016							31/12/2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	10,272,605	10,260,919	4,806,546	1,198,891	1,409,743	960,618	1,885,121	15,595,226
Federal government bonds	2,442,642	2,487,533	-	255	919,234	309,136	1,258,908	764,267
Brazilian foreign debt securities	-	-	-	-	-	-	-	2,083
Debentures/Eurobonds (i)	648,890	630,088	2,688	76,792	317,452	139,944	93,212	998,415
Bank certificates of deposit	349	349	251	98	-	-	-	19,507
Investment fund quotes								
Shares	374,523	374,523	251,888	122,635	-	-	-	21,355
Multimarket	1,721,382	1,814,464	1,712,062	102,402	-	-	-	267,227
FIDC - Credit Rights	5,950	5,950	5,950	-	-	-	-	11,418
Real Estate	6,379	6,379	-	6,379	-	-	-	7,343
Equity Investment fund	272,900	293,236	24,437	139,531	-	129,268	-	820,215
Shares	3,354,436	3,224,851	2,597,987	626,864	-	-	-	3,077,496
Promissory notes	75,777	75,764	75,764	-	-	-	-	121,250
Certificate of real estate receivables	73,667	73,667	30,640	-	2,551	4,565	35,911	474,298
Financial bills	95,854	79,520	36,872	9,618	-	-	33,030	70,202
Other	11,340	11,272	28	54	540	-	10,650	367,199
Foreign government bonds	562,388	556,770	63,293	113,718	106,470	249,008	24,281	4,918,256
Foreign private securities	626,128	626,553	4,686	545	63,496	128,697	429,129	3,654,695
Unrestricted portfolio	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Federal government bonds	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Subject to repurchase agreements	4,612,844	4,671,172	916,577	927,944	1,011,359	553,113	1,262,179	8,258,465
Federal government bonds	2,400,066	2,405,910	846,978	192,928	749,830	259,148	357,026	6,739,189
Brazilian foreign debt securities	10,011	10,011	-	10,011	-	-	-	-
Certificate of real estate receivables	345,312	345,312	37,432	-	850	-	307,030	450,277
Foreign government bonds	123,751	372,222	27,313	37,805	128,884	85,578	92,642	162,169
Foreign private securities								
Corporate Bond	131,871	131,871	-	-	-	25,508	106,363	76,783
Debentures / Eurobonds (i)	1,591,186	1,395,197	4,854	687,200	131,795	182,879	388,469	830,047
Other	10,647	10,649	-	-	-	-	10,649	-
Subject to guarantees	6,023,408	5,980,691	502,678	548,488	1,198,414	2,937,777	793,334	9,071,129
Federal government bonds	4,822,384	4,788,558	-	52,386	1,154,118	2,874,808	707,246	2,720,759
Investment fund quotes								
Multimarket	213,350	213,350	60,321	153,029	-	-	-	171,338
Debentures / Eurobonds (i)	499,563	490,671	2,275	321,010	44,296	37,002	86,088	2,770,907
Certificate of real estate receivables	25,967	25,967	-	-	-	25,967	-	-
Shares	432,857	432,858	432,858	-	-	-	-	91,505
Bank certificates of deposit	13,001	13,001	-	13,001	-	-	-	8,350
Foreign government bonds	-	-	-	-	-	-	-	258,339
Other	14,585	14,585	5,523	9,062	-	-	-	-
Foreign private securities	1,701	1,701	1,701	-	-	-	-	3,049,931
Trading securities	12,581,779	12,799,124	5,103,214	1,589,913	1,837,673	1,333,306	2,935,018	22,491,838
Available for sale securities	3,960,533	3,749,059	1,122,587	1,085,410	211,279	474,830	854,953	5,895,301
Held-to-maturity securities	4,654,612	4,654,612	-	-	1,631,766	2,787,294	235,552	5,128,735
	21,196,924	21,202,795	6,225,801	2,675,323	3,680,718	4,595,430	4,025,523	33,515,874

(i) Substantially securities issued by Brazilian companies.

b. Trading securities

	30/09/2016							31/12/2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	8,686,478	8,681,387	3,730,221	1,121,691	1,331,675	701,124	1,796,676	13,689,542
Federal government bonds	2,442,642	2,487,533	-	255	919,234	309,136	1,258,908	764,267
Brazilian foreign debt securities	-	-	-	-	-	-	-	2,083
Debentures/Eurobonds (i)	305,545	308,319	-	233	242,475	14,283	51,328	296,363
Bank certificates of deposit	349	349	251	98	-	-	-	19,507
Investment fund quotes								
Shares	373,308	374,523	250,673	122,635	-	-	-	21,355
Multimarket	770,454	848,474	746,072	102,402	-	-	-	239,437
FIDC - Credit Rights	5,950	5,950	5,950	-	-	-	-	11,418
Real Estate	6,379	6,379	-	6,379	-	-	-	7,343
Equity Investment fund	143,045	163,381	24,437	138,944	-	-	-	466,493
Shares	3,354,436	3,223,636	2,597,987	626,864	-	-	-	3,038,064
Certificate of real estate receivables	-	-	-	-	-	-	-	176,678
Financial bills	95,854	79,520	36,872	9,618	-	-	33,030	70,202
Other	-	-	-	-	-	-	-	3,381
Foreign government bonds	562,388	556,770	63,293	113,718	106,470	249,008	24,281	4,918,256
Foreign private securities	626,128	626,553	4,686	545	63,496	128,697	429,129	3,654,695
Unrestricted portfolio	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Federal government bonds	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Subject to repurchase agreements	1,576,877	1,831,192	874,291	240,744	202,360	144,163	369,634	2,979,125
Federal government bonds	1,211,274	1,217,118	846,978	192,928	29,746	2,565	144,901	2,676,769
Brazilian foreign debt securities	10,011	10,011	-	10,011	-	-	-	-
Foreign government bonds	123,751	372,222	27,313	37,805	128,884	85,578	92,642	162,169
Foreign private securities								
Corporate Bond	131,871	131,871	-	-	-	25,508	106,363	76,783
Debentures / Eurobonds (i)	99,970	99,970	-	-	43,730	30,512	25,728	63,404
Subject to guarantees	2,030,357	1,996,532	498,702	227,478	242,436	344,097	683,819	5,232,117
Federal government bonds	1,356,564	1,322,738	-	52,386	242,436	344,097	683,819	1,654,444
Investment fund quotes								
Multimarket	213,350	213,350	60,321	153,029	-	-	-	171,338
Debentures / Eurobonds	-	-	-	-	-	-	-	-
Shares	432,857	432,858	432,858	-	-	-	-	91,505
Bank certificates of deposit	13,001	13,001	-	13,001	-	-	-	8,350
Foreign government bonds	-	-	-	-	-	-	-	258,339
Other	14,585	14,585	5,523	9,062	-	-	-	-
Foreign private securities	-	-	-	-	-	-	-	3,048,141
Total	12,581,779	12,799,124	5,103,214	1,589,913	1,837,673	1,333,306	2,935,018	22,491,838

(i) Substantially securities issued by Brazilian companies.

c. Available-for-sale securities

	30/09/2016							31/12/2015
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	1,586,127	1,579,532	1,076,325	77,200	78,068	259,494	88,445	1,905,684
Shares	1,215	1,215	1,215	-	-	-	-	39,432
Investment fund quotes								
Multimarket	950,928	965,990	965,990	-	-	-	-	27,790
Equity investment fund	129,855	129,855	-	587	-	129,268	-	353,722
Debentures (i)	343,345	321,769	2,688	76,559	74,977	125,661	41,884	702,052
Certificate of real estate receivables	73,667	73,667	30,640	-	2,551	4,565	35,911	297,620
Promissory notes	75,777	75,764	75,764	-	-	-	-	121,250
Other	11,340	11,272	28	54	540	-	10,650	363,818
Subject to repurchase agreements	1,847,175	1,651,188	42,286	687,200	88,915	152,367	680,420	1,216,920
Debentures (i)	1,491,216	1,295,227	4,854	687,200	88,065	152,367	362,741	766,643
Certificate of real estate receivables	345,312	345,312	37,432	-	850	-	307,030	450,277
Other	10,647	10,649	-	-	-	-	10,649	-
Subject to guarantees	527,231	518,339	3,976	321,010	44,296	62,969	86,088	2,772,697
Debentures	499,563	490,671	2,275	321,010	44,296	37,002	86,088	2,770,907
Certificate of real estate receivables	25,967	25,967	-	-	-	25,967	-	-
Foreign private securities	1,701	1,701	1,701	-	-	-	-	1,790
Total	3,960,533	3,749,059	1,122,587	1,085,410	211,279	474,830	854,953	5,895,301

(i) Substantially securities issued by Brazilian companies.

d. Held-to-maturity securities

	30/09/2016						31/12/2015
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Subject to re purchase	1,188,792	-	-	720,084	256,583	212,125	4,062,420
Federal government bonds	1,188,792	-	-	720,084	256,583	212,125	4,062,420
Subject to guarantees	3,465,820	-	-	911,682	2,530,711	23,427	1,066,315
Federal government bonds	3,465,820	-	-	911,682	2,530,711	23,427	1,066,315
Total	4,654,612	-	-	1,631,766	2,787,294	235,552	5,128,735

If measured at fair value, held-to-maturity securities would be reported as at the period ended September 30, 2016 with a negative adjustment of R$5,954 (December 31, 2015 – R$183,963 negative).

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

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention were made by Management during the period ended in September 30, 2016 and year ended December 31, 2015.

9. Derivative financial instruments

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

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

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

As at the period ended September 30, 2016 and year ended December 31, 2015, the Bank does not have derivative financial instruments classified as hedge accounting. However, it has the policy to economically hedge its exposures to foreign currencies, including exposures in subsidiaries or to associates, using derivatives or other financial instruments. The policy aims to mitigate any effect from changes in foreign currency on assets and liabilities, other than those ones for trading purpose.

a. Recognized in memorandum and balance sheet accounts

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

	30/09/2016				31/12/2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	49,503,778	5,476,761	14,813,247	69,793,786	65,125,151
Currency	206,399	169,655	-	376,054	3,063,003
Interest rate	49,290,501	5,307,106	14,813,247	69,410,854	27,151,507
Commodities	-	-	-	-	34,018,152
Index	-	-	-	-	892,489
Other	6,878	-	-	6,878	-
Short position	18,419,819	577,671	632,267	19,629,757	113,180,183
Currency	811,229	-	10,011	821,240	9,330,260
Interest rate	16,815,596	577,671	622,256	18,015,523	53,174,349
Commodities	62,884	-	-	62,884	49,980,773
Index	235,200	-	-	235,200	694,801
Other	494,910	-	-	494,910	-
Swap					
Long position	94,671,247	12,159,574	45,634,906	152,465,727	85,704,319
Currency	29,941,999	12,175	1,016,838	30,971,012	3,988,096
Interest rate	63,518,704	11,957,438	43,697,174	119,173,316	77,368,420
Index	49,424	20,758	914,434	984,616	604,938
Equities	3,528	169,203	6,460	179,191	123,871
Commodities	-	-	-	-	3,382,082
Other	1,157,592	-	-	1,157,592	236,912

	30/09/2016				31/12/2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	94,671,247	12,159,574	45,634,906	152,465,727	85,704,319
Currency	4,603,567	4,054,137	20,653,805	29,311,509	3,953,409
Interest rate	56,764,369	7,335,404	20,605,315	84,705,088	73,439,563
Index	7,942,603	12,368	4,368,032	12,323,003	1,384,147
Equities	25,360,708	757,665	7,754	26,126,127	442,109
Commodities	-	-	-	-	4,012,950
Other	-	-	-	-	2,472,141
Credit Derivatives					
Long position	-	275,927	265,539	541,466	306,800
Sovereign	-	275,927	227,234	503,161	214,861
Corporate	-	-	38,305	38,305	91,939
Short position	-	-	254,989	254,989	315,637
Sovereign	-	-	11,524	11,524	-
Corporate	-	-	243,465	243,465	315,637
Non-deliverable forward - NDF					
Long position	16,859,309	2,293,485	1,903,961	21,056,755	70,951,931
Currency	15,562,123	2,256,834	1,879,817	19,698,774	38,550,410
Commodities	-	-	-	-	29,886,785
Interest rate	1,297,186	36,651	24,144	1,357,981	2,514,736
Short position	16,859,309	2,293,485	1,903,961	21,056,755	70,951,931
Currency	14,294,800	1,947,577	1,855,390	18,097,767	40,496,695
Commodities	-	-	-	-	29,889,505
Interest rate	2,564,509	345,908	48,571	2,958,988	565,731
Deliverable forward - DF					
Long position	44,343,977	1,091,797	224,976	45,660,750	176,496,088
Commodities	24,190,543	-	-	24,190,543	15,172,314
Currency	20,058,641	1,091,797	224,976	21,375,414	152,843,559
Interest rate	94,793	-	-	94,793	8,480,215
Short position	44,343,977	1,091,797	224,976	45,660,750	176,496,088
Commodities	24,204,484	-	-	24,204,484	9,038,825
Interest rate	80,852	-	-	80,852	14,613,704
Currency	20,058,641	1,091,797	224,976	21,375,414	152,843,559
Security forwards					
Long position	-	15,984	657,989	673,973	354,132
Interest rate	-	-	-	-	289,798
Government bonds	-	15,984	657,989	673,973	64,334
Short position	-	15,984	657,989	673,973	354,132
Interest rate	-	15,984	657,989	673,973	64,334
Government bonds	-	-	-	-	289,798
Options market					
Call option - long position	7,659,100	1,448,867	224,274	9,332,241	22,622,158
Equities	594,858	-	144,156	739,014	589,767
Commodities	-	-	-	-	5,342,525
Index	1,076	-	-	1,076	31,592
Currency	6,689,853	1,448,867	38,000	8,176,720	16,587,988
Interest rate	-	-	2,000	2,000	-
Other	373,313	-	40,118	413,431	70,286
Put option - long position	14,761,312	1,515,944	594,215	16,871,471	24,466,699
Equities	669,514	-	560,715	1,230,229	490,907
Commodities	-	-	-	-	8,740,920
Index	4,518	-	-	4,518	-
Currency	12,882,544	1,515,944	33,500	14,431,988	15,230,650
Interest rate	872,000	-	-	872,000	4,222
Other	332,736	-	-	332,736	-
Call option - short position	9,709,938	1,718,330	200,338	11,628,606	23,888,698
Equities	556,901	-	5,807	562,708	341,185
Commodities	-	-	-	-	4,711,397
Index	1,291	-	-	1,291	25,212
Currency	9,151,746	1,718,330	107,000	10,977,076	18,740,618
Other	-	-	87,531	87,531	70,286
Put option - short position	13,106,640	1,348,982	34,807	14,490,429	17,827,034
Equities	192,385	31,001	807	224,193	1,219,113
Commodities	-	-	-	-	4,059,595
Index	5,057	-	-	5,057	170,333
Currency	11,414,328	1,317,981	34,000	12,766,309	12,377,993
Interest rate	871,600	-	-	871,600	-

b. By cost and market value

	30/09/2016					31/12/2015
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	-	-	-	-	-	64,017
Short position	-	-	-	-	-	41,601
Swaps						
Long position	727,537	1,095,309	156,929	102,488	835,892	1,916,001
Short position	1,153,858	1,457,722	164,556	109,234	1,183,932	3,484,723
Credit derivatives						
Long position	20,516	20,516	-	7,890	12,626	13,587
Short position	13,168	13,168	-	-	13,168	24,626
Non-deliverable forward - NDF						
Long position	664,491	651,952	206,058	160,717	285,177	4,529,603
Short position	445,968	421,965	343,561	41,652	36,752	3,131,362
Deliverable forward - DF						
Long position	11,665,746	11,543,241	10,716,914	650,108	176,219	33,497,215
Short position	10,601,167	10,592,279	9,768,036	652,174	172,069	32,846,270
Security forwards						
Long position	673,408	673,407	-	15,975	657,432	353,813
Short position	673,344	673,344	-	15,971	657,373	353,648
Options market						
Long position	1,496,511	1,581,002	978,985	455,615	146,402	3,778,892
Short position	460,534	473,765	210,075	258,212	5,478	2,444,740
Long position	**15,248,209**	**15,565,427**	**12,058,886**	**1,392,793**	**2,113,748**	**44,153,128**
Short position	**13,348,039**	**13,632,243**	**10,486,228**	**1,077,243**	**2,068,772**	**42,326,970**

c. Notional by counterparty

	30/09/2016					31/12/2015
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	69,247,344	546,442	-	-	69,793,786	65,125,151
Short position	18,312,221	1,317,536	-	-	19,629,757	113,180,183
Swap						
Long position	6,385,984	146,079,743	-	-	152,465,727	85,704,319
Short position	6,385,984	146,079,743	-	-	152,465,727	85,704,319
Credit derivatives						
Long position	-	541,466	-	-	541,466	306,800
Short position	-	254,989	-	-	254,989	315,637
Non-deliverable forward - NDF						
Long position	-	20,738,720	316,091	1,944	21,056,755	70,951,931
Short position	-	20,738,720	316,091	1,944	21,056,755	70,951,931
Deliverable forward - DF						
Long position	-	21,375,344	24,285,406	-	45,660,750	176,496,088
Short position	-	21,375,344	24,285,406	-	45,660,750	176,496,088
Security forwards						
Long position	-	673,973	-	-	673,973	354,132
Short position	-	673,973	-	-	673,973	354,132
Options market						
Long position	1,130,780	24,761,354	306,076	5,502	26,203,712	47,088,857
Short position	1,088,600	24,731,500	292,780	6,155	26,119,035	41,715,732
Long position	**76,764,108**	**214,717,042**	**24,907,573**	**7,446**	**316,396,169**	**446,027,278**
Short position	**25,786,805**	**215,171,805**	**24,894,277**	**8,099**	**265,860,986**	**488,718,022**

(i) Includes investments funds.

d. Credit derivatives

	30/09/2016	31/12/2015
Credit swap		
Transferred risk		
Sovereign	503,161	214,861
Corporate	38,305	91,939
Risk received		
Sovereign	(11,524)	-
Corporate	(243,465)	(315,637)
	286,477	(8,837)

During the period ended September 30, 2016 and year ended on December 31, 2015, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at September 30, 2016 is R$91,857 (December 31, 2015 – R$41,891).

e. Guarantee margins

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R$5,219,929 (December 31, 2015 – R$8,449,268) and shares in the amount of R$432,858 (December 31, 2015 – R$254,030). From the total amount, approximately R$713,704 refers to additional margin deposited, as requested by BM&F Bovespa, due to volatility observed in function of events previously described, in Note 1.

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&F Bovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).

- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.

- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).

- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).

- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by BM&F Bovespa. Fund quotas are valued based on quota prices disclosed by the custodian.

- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

10. Loans

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

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

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	30/09/2016		31/12/2015	
	Balance	Allowance	Balance	Allowance
Loans	6,384,136	(455,865)	32,992,690	(1,510,510)
Financing	981,312	(85,610)	1,648,571	(134,145)
FINAME/BNDES	2,573,244	(12,641)	2,424,105	(35,481)
Real estate financing	-	-	16,500,417	(252,824)
Securities financing	36,370	-	3,949,264	-
Total	9,975,062	(554,116)	57,515,047	(1,932,960)

ii. By risk level and maturity

Risk level	30/09/2016						31/12/2015	
		Maturity						
	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	1,142,250	244,485	1,093,188	2,479,923	-	42,925,533	-
A	16	221,837	96,423	2,868,196	3,186,472	(15,610)	7,365,463	(38,297)
B	113	206,134	373,749	603,105	1,183,101	(11,831)	2,681,862	(26,823)
C	18,835	917,909	119,749	150,571	1,207,064	(36,212)	1,277,765	(38,334)
D	85,046	47,268	120,206	1,009,006	1,261,526	(177,422)	1,113,419	(152,121)
E	438,732	38,222	7,900	43,837	528,691	(203,318)	605,856	(183,721)
F	-	1,167	1,633	700	3,500	(1,750)	103,341	(51,856)
G	56,040	-	-	-	56,040	(39,228)	-	-
H	31,003	22,825	14,910	7	68,745	(68,745)	1,441,808	(1,441,808)
Total	629,785	2,597,612	979,055	5,768,610	9,975,062	(554,116)	57,515,047	(1,932,960)

iii. By activity sector

Sector	30/09/2016	31/12/2015
Commerce	158,100	181,042
Industry	331,411	1,684,961
Services	8,821,436	33,356,459
Rural	210,602	348,964
Individuals	453,513	21,943,621
Total	9,975,062	57,515,047

b. Other receivables with loans characteristics and transferred loan

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

i. By risk level and maturity

	30/09/2016						31/12/2015	
		Maturity						
Risk level	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	55	28	281	364	-	139,893	-
A	-	-	-	-	-	-	74,162	(371)
B	-	-	-	-	-	-	530,315	(5,303)
C	-	-	38,452	43,000	81,452	(2,444)	149,847	(4,495)
D	-	42,741	-	-	42,741	(4,274)	-	-
E	-	-	-	-	-	-	56,786	(22,715)
F	-	-	-	-	-	-	52,388	(25,996)
H	-	-	-	-	-	-	63,928	(63,928)
Total	-	42,796	38,480	43,281	124,557	(6,718)	1,067,319	(122,808)
Transfered loans with co-obligations					-	-	85,436	(2,472)
Securities and credits receivable (note 12(b))					124,557	(6,718)	981,883	(120,336)

ii. By activity sector

Sector	30/09/2016	31/12/2015
Industry	50	199
Individuals	-	93,915
Rural	-	75,298
Services	124,507	897,907
Total	124,557	1,067,319

c. Advances in foreign exchange contracts

i. By risk level and maturity

	30/09/2016						31/12/2015	
		Maturity						
Risk level	Overdue	Up to 6 months	6 to 12 months	Over 12 months	Total	Allowance	Total	Allowance
AA	-	-	-	-	-	-	9,196	-
B	-	-	-	-	-	-	72,863	(879)
D	4	33,341	34,095	-	67,440	(7,361)	14,145	(2,733)
E	-	-	-	-	-	-	35,275	(12,246)
H	20,886	-	-	-	20,886	(20,886)	20,886	(20,886)
Total	20,890	33,341	34,095	-	88,326	(28,247)	152,365	(36,744)

ii. By activity sector

Sector	30/09/2016	31/12/2015
Industry	48,868	56,161
Services	39,458	96,204
Total	88,326	152,365

d. Credit concentration

	30/09/2016	%	31/12/2015	%
Largest debtors				
10 largest debtors	5,586,461	55%	10,870,689	19%
20 following largest debtors	1,892,609	19%	6,167,356	11%
50 following largest debtors	1,529,213	15%	5,992,042	10%
100 following largest debtors	835,835	8%	5,983,466	10%
200 following largest debtors	314,541	3%	6,692,322	11%
500 following largest debtors	26,406	0%	8,174,852	14%
Above 500 following largest debtors	2,880	0%	14,854,004	25%
	10,187,945	100%	58,734,731	100%

e. Allowance

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

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Opening balances	(1,300,511)	(1,214,772)	(2,288,630)	(1,143,438)
Reversal/(accrual) of allowance	1,159	246,872	(41,988)	62,298
Allowance from acquired / sale entity	401,703	(734,726)	402,913	(734,726)
Contigencies transfer provision	-	-	-	113,278
Exchange rate variation	70,053	(102,346)	372,308	(129,076)
Credits written off as loss	46,912	(16,707)	774,713	9,985
Closing balances	(780,684)	(1,821,679)	(780,684)	(1,821,679)
Breakdown of closing balances				
Allowance for loan losses	(554,116)	(1,545,129)	(554,116)	(1,545,129)
Allowance for transfered loans	-	(3,197)	-	(3,197)
Allowance for other receivables (Note 10 (b))	(6,718)	(65,391)	(6,718)	(65,391)
Allowance for advances on foreign exchange contracts	(28,247)	(52,540)	(28,247)	(52,540)
Allowance for guarantes (Note 16)	(191,603)	(155,422)	(191,603)	(155,422)
	(780,684)	(1,821,679)	(780,684)	(1,821,679)

f. Renegotiation/recovery of credits written off as loss

In September 30, 2016, the amount of R$1,229,927 were due to credit renegotiation (December 31, 2015 – R$1,482,587). Also in the period ended September 30, 2016 there were the amount of R$39,429 due to written off loans recovery (December 31, 2015 – R$1,414).

g. Transferred loan

In the period ended September 30, 2016 and year ended December 31, 2015 there was no credit assignment with co-obligation.

11. Other receivables/obligations

a. Foreign Exchange portfolio

	30/09/2016		31/12/2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Unsettled exchange purchased/sold	3,765,080	9,717,537	1,599,914	10,251,244
Rights on foreign exchange sales	9,971,949	-	10,167,480	-
(-) Advances on foreign exchange contracts (Note 10 (c))	813	(87,513)	3,489	(148,876)
(-) Advances in foreign currency received	-	-	(156)	-
(-) Advances in local currency received	(20,291)	-	(234)	-
Liability for foreign exchange purchase	-	3,816,208	-	1,541,474
	13,717,551	13,446,232	11,770,493	11,643,842
Current	13,717,551	13,446,232	11,770,493	11,643,842
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through BM&FBovespa – Securities, Commodities and Futures Exchange (BM&FBovespa), are represented by federal government bonds in the amount of R$327,904 (December 31, 2015 - R$367,831).

b. Securities trading and brokerage

	30/09/2016		31/12/2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Clearing houses	471,325	372,641	1,157,060	1,108,797
Unsettled financial assets / liabilities	25,213	55,665	17,966	36
Debtors/creditors – pending settlement account	1,965,372	1,238,032	9,223,704	4,167,353
Creditors for stock loans	1,755	1,444,783	-	5,759,776
Other securities trading and brokerage	654,208	839,190	2,507,272	1,618,914
Commissions and brokerage payable	-	720	-	464
Swap brokerage	161	-	139	-
	3,118,034	3,951,031	12,906,141	12,655,340
Current	3,118,034	3,951,031	12,906,141	12,655,340
Long-term	-	-	-	-

"Debtors/creditors – pending settlement account" is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&F Bovespa, and abroad through prime brokers, on the Bank's behalf or on behalf of third parties, on the regular term.

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

12. Other receivables

a. Income receivable

	30/09/2016	31/12/2015
Dividends and bonus	2,380	3,947
Receivables from services rendered	568,766	952,767
Management and performance fees for investment funds and portfolio	317,210	787,414
Distribution fees	3,086	11,744
Commissions on guarantees	9,652	11,195
Other	-	25,368
	901,094	1,792,435
Current	701,506	1,427,993
Long-term	199,588	364,442

b. Sundry

	30/09/2016	31/12/2015
Deferred tax assets - income and social contribution (note 18)	4,859,121	6,110,480
Deferred tax assets - Others	68,811	355,563
Judicial deposits	1,715,135	1,739,039
Taxes recoverable to offset	583,299	1,588,759
Tax incentive options	1,319	1,319
Securities and credits receivable		
With loan characteristics (note 10 b)	124,557	981,883
Without loan characteristics (i)	356,244	911,551
Investment properties	838,598	697,256
Held for sale	1,756,265	1,176,377
Salaries advances	28,927	96,570
Commodities inventories	-	10,128,757
Sundry (ii)	3,157,539	6,679,290
Advance to suppliers	415,228	1,059,222
Other	10,275	15,031
	13,915,318	31,541,097
Current	4,704,528	23,354,131
Long-term	9,210,790	8,186,966

(i) On September 30, 2016, the line above has allowance losses of R$87,829 (December 31, 2015 – R$190,636), registered in "Other receivables - Allowance for losses in other receivables".

(ii) Include receivables fros sale of investmets.

13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities							
	Shareholders' Equity		Net income (loss)				Interest	
			Quarter ended:		Nine-month period ended:			
	30/09/2016	31/12/2015	30/09/2016	30/09/2015	30/09/2016	30/09/2015	30/09/2016	31/12/2015
In Brazil								
Banco Pan S.A.	3,411,562	3,643,797	(12,967)	44,293	(237,435)	(25,625)	40.35%	40.35%
Warehouse 1 Empreendimentos Imobiliários S.A.	286,037	40,974	34,308	(22,594)	34,981	(2,438)	35.00%	35.00%
Max Casa XIX Empreendimentos Imobiliários S.A.	3,772	23,848	(3,271)	401	(504)	(354)	50.00%	50.00%
ACS Omicron Empreendimentos Imobiliários S.A.	7,080	9,624	105	1,120	922	1,594	44.74%	44.74%
Pan Seguros S.A.	703,162	673,962	(37,937)	(4,648)	25,680	3,968	51.00%	51.00%
Pan Corretora S.A.	67,206	59,961	1,679	(45,789)	7,245	4,142	51.00%	51.00%
Abroad								
BTG Pactual Holding S.A.R.L.	4,436,581	5,257,130	260,883	102,765	225,663	84,566	80.00%	80.00%
Maybroke Holding S.A.	1,002,409	1,192,369	(7,252)	(295,729)	11,150	(18,133)	50.00%	50.00%
Engelhart CTP Group S.A.	5,007,773	-	(186,778)	-	(186,778)	-	99.99%	0.00%
BSI S.A.	3,176,549	-	66,194	-	141,585	-	100.00%	0.00%

		Changes in investments					
	31/12/2015	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Fair value adjustment	Equity in earnings of subsidiaries	30/09/2016	Equity in earnings of associates from 01/01/2015 to 30/09/2015
In Brazil							
Banco Pan S.A.	1,376,797	-	-	2,098	(95,812)	1,283,083	(9,608)
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-	(56,884)	-
Warehouse 1 Empreendimentos Imobs S.A.	14,340	-	(700)	-	(3,226)	10,414	(288)
Max Casa XIX Empreendimentos Imobs S.A.	11,924	(8,640)	(1,889)	-	(1,009)	386	(290)
ACS Omicron Empreendimentos Imobs S.A.	4,306	-	-	-	(1,138)	3,168	2,013
Vivere Soluções e Serviços S.A.	-	(5,022)	-	-	5,022	-	(3,419)
Pan Corretora S.A.	30,580	-	-	-	3,695	34,275	2,678
Pan Seguros S.A.	347,771	-	-	25	10,813	358,609	(4,504)
Rede D'OR São Luiz S.A.	-	-	-	-	-	-	370,507
Goodwill - Rede D'OR São Luiz S.A. (ii)	-	-	-	-	-	-	(78,077)
	-	281	-	-	-	281	(36)
Total	1,728,834	(13,381)	(2,589)	2,123	(81,655)	1,633,332	278,976
Abroad							
BTG Pactual Holding S.A.R.L. (i)	4,205,704	(1,752,329)	(126,186)	-	(534,189)	1,793,000	1,833,925
Maybroke Holding S.A. (i)	596,094	-	-	-	(92,778)	503,316	349,552
Engelhart CTP Group S.A. (ii)	-	5,006,797	-	-	-	5,006,797	-
BSI S.A. (ii)	-	3,176,549	-	-	-	3,176,549	-
Goodwill - BSI S.A. (ii)	-	1,033,773	-	-	-	1,033,773	-
Other non-consolidated BSI entities	91,051	(93,498)	-	(3,994)	6,441	-	3,380
	4,892,849	7,371,292	(126,186)	(3,994)	(620,526)	11,513,435	2,186,857
Total	6,621,683	7,357,911	(128,775)	(1,871)	(702,181)	13,146,767	2,465,833

(i) The diference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.
(ii)As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities. See Note 3 (a), with the effects of BSI S.A. and companies related to Commodities desconsolidation.

14. Intangible assets

		Changes in Intangible assets				
	31/12/2015	Acquisitions (i)	Write off (ii)	Amortization expenses	Exchange variation	30/09/2016
Goodwill	**401,472**	**1,080,827**	**(1,069,429)**	**(126,815)**	**(37,323)**	**248,732**
Cost	1,066,967	1,080,827	(1,069,429)	-	(97,529)	980,836
Amortization	(665,495)	-	-	(126,815)	60,206	(732,104)
Other intangible assets	**492,224**	**13,419**	**(164,529)**	**(145,931)**	**(11,371)**	**183,812**
Cost	645,219	13,419	(299,427)	-	(22,524)	336,687
Amortization	(152,995)	-	134,898	(145,931)	11,153	(152,875)
	893,696	1,094,246	(1,233,958)	(272,746)	(48,694)	432,544

(i) Refers to the adoption of resolution 4,424/15 from BACEN, in January 1, 2016, resulting in the recognition of BSI pension plan deficit.
(ii)Include BSI desconsolidation.

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	9,213,048	3,789,779	2,358,143	2,387,145	645,657	32,324	86,743,520
Open market funding	22,819,564	21,629,348	849,671	340,545	-	-	20,308,210
Funds from securities issued and accepted	11,311,728	1,420,899	4,649,665	2,351,689	2,009,559	879,916	19,559,235
Loans and onlending	3,886,250	1,055,536	334,319	119,770	150,527	2,226,098	8,097,620
Subordinated debts and subordinated debt eligible to equity	12,014,443	614,377	614,409	2,709,583	2,470,881	5,605,193	13,457,635
	59,245,033	28,509,939	8,806,207	7,908,732	5,276,624	8,743,531	148,166,220

b. Deposits

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	89,374	89,374	-	-	-	-	64,196,932
Interbank deposits	216,609	50,012	96,733	61,244	8,620	-	1,475,367
Time deposits (i)	8,907,065	3,650,393	2,261,410	2,325,901	637,037	32,324	21,071,221
	9,213,048	3,789,779	2,358,143	2,387,145	645,657	32,324	86,743,520

(i) Include time deposit with special guarantee from FGC, with maturity until December 29,2017. The deposits were indexed to interest referenced rates (DCI) between 100% p.a and 120% p.a.

On December 4, 2015 a Memorandum of Understanding with the FGC was executed to extend a credit line up to the amount of R$6,0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. As of September 30, 2016, the amount of R$1.8 billion remain outstanding, regarding this credit line. See Note 26 for details of the credit line total payment.

Open market funding

Open market funding has collateral on the following securities:

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	4,652,273	3,462,057	849,671	340,545	-	-	8,432,562
Federal government bonds	2,647,250	2,647,250	-	-	-	-	6,732,642
Corporate securities	1,684,344	494,128	849,671	340,545	-	-	1,699,920
Foreign government bonds	320,679	320,679	-	-	-	-	-
Third-party portfolio	12,566,180	12,566,180	-	-	-	-	6,244,030
Federal government bonds	12,499,831	12,499,831	-	-	-	-	6,235,603
Corporate bonds	41,823	41,823	-	-	-	-	8,427
Foreign government bonds	24,526	24,526	-	-	-	-	-
Unrestricted portfolio (i)	5,601,111	5,601,111	-	-	-	-	5,631,618
Federal government bonds	5,507,349	5,507,349	-	-	-	-	5,631,618
Foreign government bonds	93,762	93,762	-	-	-	-	-
	22,819,564	21,629,348	849,671	340,545	-	-	20,308,210

(i) From the unrestricted portfolio, R$4,458,721 (December 31, 2015 – R$3,042,507) refers to short position and R$1,142,390 (December 31, 2015 – R$2,589,111) to third-party portfolio.

c. Funds from securities issued and accepted

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	8,683,103	1,377,764	4,349,034	2,265,270	499,212	191,823	12,956,775
Financial bills	7,695,857	1,064,629	3,787,547	2,159,365	492,493	191,823	11,349,904
Mortgage bonds/letters of credit for agribusiness	978,036	312,339	553,073	105,905	6,719	-	1,588,789
Certificates of structured transactions	9,210	796	8,414	-	-	-	18,082
Securities – abroad	2,628,625	43,135	300,631	86,419	1,510,347	688,093	6,602,460
Medium term notes	2,516,600	-	262,400	68,796	1,497,311	688,093	6,295,976
Fixed rate notes and others	112,025	43,135	38,231	17,623	13,036	-	306,484
	11,311,728	1,420,899	4,649,665	2,351,689	2,009,559	879,916	19,559,235

(i) During the period ended September 30, 2016, gains in the amount of R$198,500 (December 31, 2015 – R$356,083) were was recognized by the Bank, as a result of notes acquired below bar.

As at September 30, 2016, securities in Brazil were basically indexed o interest referenced rates (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a. (December 31, 2015 – indexed to (CDI) between 86% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a.).

On September 30, 2016, securities abroad have rates between 2.6% p.a. and 7.0 % p.a. (December 31, 2015 – between 1.2% p.a. and 7% p.a.).

d. Loans and onlending

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	995,668	853,591	142,077	-	-	-	4,884,242
Foreign currency	-	-	-	-	-	-	156,164
Loans abroad	995,668	853,591	142,077	-	-	-	4,728,078
Loans - Brazil	331,052	163,026	168,026	-	-	-	817,332
Loans	331,052	163,026	168,026	-	-	-	817,332
Onlending in Brazil	2,559,530	38,919	24,216	119,770	150,527	2,226,098	2,396,046
FINAME/BNDES	2,559,530	38,919	24,216	119,770	150,527	2,226,098	2,396,046
	3,886,250	1,055,536	334,319	119,770	150,527	2,226,098	8,097,620

On September 30, 2016, loans and onlending have rates of 0.25% p.a. and 6.0 % a.a. (December 31, 2015 – between 0.73% p.a. and 6% p.a.).

e. Subordinated debt and debt instrument eligible to capital

	30/09/2016					31/12/2015
Type - original currency	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	6,402,640	6,084,767
Subordinated debt - US$	800,000	28/09/2012	15/09/2022	5.75%	1,415,163	1,821,507
Subordinated debt - CHF	100,000	23/12/2011	23/12/2021	5.25%	-	390,964
Subordinated debt eligible to equity - US$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	4,196,640	5,160,397
Total					12,014,443	13,457,635

(i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
(ii) During the period ended September 30, 2016, gains in the amount of R$43,555 (December 31, 2015 – R$67.108) were was recognized by the Bank, as a result of notes acquired below bar.

16. Other obligations

a. Social and statutory

	30/09/2016	31/12/2015
Dividends and profit sharing payable	469,958	653,401
Employees' profit sharing	342,017	1,002,030
Other benefits	361,872	222,378
	1,173,847	1,877,809
Current	1,173,847	1,877,809
Long term	-	-

b. Tax and social security

	30/09/2016	31/12/2015
Tax and contributions to be collected	154,403	375,922
Tax and contribution payable	193,139	1,403,539
Deferred social contribution and income tax (Note 18)	68,927	410,370
Deferred PIS and COFINS	5,429	70,649
Suspended-payment taxes and others tax liabilities (Note 17 (c))	1,646,946	1,483,735
	2,068,844	3,744,215
Current	43,221	2,286,615
Long term	2,025,623	1,457,600

c. Sundry

	30/09/2016	31/12/2015
Payable for acquisition of assets and rights (i)	1,157,705	1,041,588
Accounts payable - personnel	260,055	1,368,810
Provision for contingent liabilities (Note 17(c))	499,450	872,048
Obligations collateralized in physical commodities	-	5,209,221
Trade payables for commodities	-	1,141,893
Other creditors - Brazil	1,576,373	1,787,307
Other creditors - Abroad	205,068	1,677,909
Allowance for guarantees (Note 10(e))	191,603	196,118
Obligations related to transferred loans	-	492,317
Other	5,499	82,508
	3,895,753	13,869,719
Current	224,659	10,091,231
Long term	3,671,094	3,778,488

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

17. Contingent assets and liabilities and legal obligations

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

a. Contingent assets

As at September 30, 2016 and December 31, 2015, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

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

ii. Civil provisions

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

iii. Tax and social security provisions

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

c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at September 30, 2016 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the period ended September 30:

	30/09/2016				30/09/2015
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	1,483,735	842,552	29,496	2,355,783	2,141,233
Recognition	203,087	492,749	28,888	724,724	668,397
Companies desconsolidated (BSI)	-	(538,086)	-	(538,086)	-
Write-off	(39,876)	(333,161)	(22,988)	(396,025)	(476,896)
Balance at the end of the period	1,646,946	464,054	35,396	2,146,396	2,332,734
Suspended-payment taxes				1,646,946	1,471,695

The nature of the main provisions is presented below:

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

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

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

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

CSL ("Social contribution tax") - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at September 30, 2016, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$974 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- Lawsuits relating to the demutualization and IPO of BM&F Bovespa, challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R$19,6 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- In October 2012, we received a tax assessment, which in September 30, 2016 totaled R$2,279 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R$330 million, as of September 30, 2016. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R$1,768 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

ii. Provision for other contingent liabilities

As at September 30, 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

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

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Income tax and social contribution				
Tax base	677,032	(1,061,459)	3,379,218	218,852
Income before taxes and profit sharing	502,527	(557,907)	4,435,275	1,277,342
Statutory profit sharing	174,505	(503,552)	(556,057)	(1,058,490)
Interest on equity	-	-	(500,000)	(422,000)
Total charge of income tax and social contribution at the current rates	(377,642)	424,584	(1,593,674)	81,259
Permanent (additions) / deductions in taxation calculation	501,717	1,620,090	(31,455)	2,448,683
Equity pick up in associated and jointly controlled companies in Brazil	(230,414)	580,171	147,663	985,018
Income/(loss) of foreign exchange on foreign investments	66,085	1,566,157	(633,989)	2,218,657
Foreign earnings	105,601	(302,898)	388,777	(542,078)
Dividends	2,357	22,532	56,027	58,500
Other Permanent (additions) / deductions	558,088	(245,872)	10,067	(271,414)
Temporary (additions) / deductions on the taxation calculation	472,154	(2,431,414)	1,607,294	(2,853,753)
Reversal of provision for goodwill on the acquisition of investments	34,031	32,209	102,091	71,859
Interest on equity	225,000	186,221	-	131,708
Fair value of securities and derivatives	255,460	(2,485,283)	1,680,215	(2,672,692)
Allowance for loan losses	(959)	(154,970)	(62,444)	(200,475)
Tax contingencies and provision for suspended-payment taxes	(243)	3,999	(453)	16,936
Other provisions	(41,135)	(13,590)	(112,115)	(201,089)
Offset of tax losses carry forward - Brazil	(372,594)	(26,963)	(349,933)	(748,550)
Tax and social contribution expense	223,635	(413,703)	(367,768)	424,739
Temporary differences				
Recognition / (reversal) of the quarter / period	(472,876)	2,465,818	(1,607,572)	2,886,194
Recognition on goodwill on investments	523,779	255,282	523,779	255,282
Recognition / (reversal) of tax losses carry forward	115,336	26,963	327,093	748,550
Recognition on foreign companies tax losses carry forward	196,123	72,862	15,832	320,295
Recognition / (reversal) of loss on investment abroad	(127,000)	248,689	(47,110)	401,577
Other temporary differences	(453,569)	196,380	(42,928)	196,380
Revenues / (Expenses) from deferred taxes	(218,207)	3,265,994	(830,906)	4,611,898
Total revenues / (expenses)	5,428	2,852,291	(1,198,674)	5,036,637

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

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

Income tax and social contribution	**31/12/2015**	**Recognition**	**Realization (i)**	**30/09/2016**
Tax loss	827,919	931,590	(163,947)	1,595,562
Interest on equity	-	112,500	-	112,500
Allowance for loan losses	837,220	175,007	(147,030)	865,197
Fair value of securities and derivatives	3,042,574	15,223,700	(16,949,901)	1,316,373
Goodwill on the acquisition of investment	150,228	-	(102,090)	48,138
Tax contingencies and provision for suspended-payment taxes	187,143	4,185	-	191,328
Other temporary differences	569,038	231,457	(70,807)	729,688
	5,614,122	16,678,439	(17,433,775)	4,858,786

Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(13,710)	335
Others	107,160	-	(107,160)	-
	5,735,327	16,678,439	(17,554,645)	4,859,121

Income tax and social contribution	**31/12/2014**	**Recognition**	**Realization (i)**	**30/09/2015**
Tax loss carryforwards	308,155	624,524	(1,844)	930,835
Interest on equity	119,280	2,482	(119,280)	2,482
Allowance for loan losses	371,358	324,798	(146,410)	549,746
Fair value of securities and derivatives	288,315	14,094,558	(11,523,718)	2,859,155
Goodwill on the acquisition of investment	266,639	31,230	(97,423)	200,446
Tax contingencies and provision for suspended-payment taxes	197,671	-	(15,263)	182,408
Other temporary differences	119,463	353,052	(127,010)	345,505
Tax increase effect - 5% CSLL	-	305,558	-	305,558
	1,670,881	15,736,202	(12,030,948)	5,376,135
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	-	23,380	-	23,380
Others	-	-	107,160	107,160
	1,670,881	15,759,582	(11,923,788)	5,506,675

(i) On September 30, 2016, the amount of R$15,832 (December 31, 2015 – R$587,981), refers to recovery paid taxes from investments abroad.

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

Description	**Tax credits on temporary differences**	**Tax loss carry forwards**	**Total**
2016	830,221	643,459	1,473,680
2017	1,268,024	263,172	1,531,196
2018	948,681	533,401	1,482,082
2019	-	147,990	147,990
2020 onwards	216,634	7,539	224,173
Total	3,263,560	1,595,561	4,859,121
Present value	2,631,552	1,320,043	3,951,595

As at September 30, 2016 tax credits in the amount of R$996,653 (December 31, 2015 – R$1,323,501), from tax losses calculated between the period of 1993 and 2010, were not recorded on the subsidiary, Banco Sistema S.A. (formely named Banco Bamerindus do Brasil S.A.). These tax credits will be registered, when they attend regulatory aspects and demonstrate realization perspective, in accordance with the management studies and analysis and BACEN standards.

Deferred income tax and social contribution liabilities amounts to R$68,927 (December 31, 2015 - R$410,370), according to note 16(b).

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

19. Shareholders equity

a. Capital

As at September 30, 2016, fully subscribed and paid in capital consists of 3,417,618,875 shares (December 31, 2015 – 2,756,103,006), of which 1,352,401,464 common shares (December 31, 2015 – 1,404,405,002), 431,840,524 class A preferred shares (December 31, 2015 – 535,847,600), 815,850,404 class B preferred shares (December 31, 2015 – 815,850,404), 817,526,483 class C preferred shares (December 31, 2015 – Nil) all no-par, registered shares.

At Special General Meeting held on September 6, 2016, was approved capital increase, through the capitalization of statutory reserves, in the amount of R$4,000,000, with issuance of 817,526,483 class C preferred shares, by way of stock dividend, both nominative and without par value.

At Special General Meeting held on September 15, 2015, was approved capital increase of R$773,663, with issuance of 33,634,410 common shares and 67,268,820 Class A preferred shares, both nominative and without par value.

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

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

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

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

b. Treasury shares

During the period ended September 30, 2016 and the year ended December 31, 2015, the Bank accomplished the buyback units cancellation, due to approved program, in the amount of R$132,394 (December 31, 2015 - R$132,394), equivalent to 71,904,350 untis (December 31, 2015 – 31,973,542). On September 30, 2015, there were no treasury shares.

c. Special earnings reserve

The purpose of this reserve is to interest on equity, in the amount of R$250,000, declared after year ended on December 31, 2015.

d. Legal reserve

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

e. Statutory reserve

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

f. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

g. Profit distribution

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

As at February 25, 2015, the Bank has approved the distribution of dividends, in the amount of R$106,130, equivalent to R$0.04 per share, which refers to prior periods. The payment of such dividends, occurred on March 10, 2015.

As at August 05, 2015, the Bank has approved the distribution of dividends in the amount of R$47,324, equivalent to R$0.2 per share. The payment of such dividends, occurred on August 20, 2015.

As at December 31, 2015 the Bank has accrued R$492,754, relating to interest on equity, equivalent to R$0.18 per share, which generated R$197,102 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 28, 2015, and the payment occurred on June 20, 2016.

As at June 30, 2015 the Bank has accrued R$500,000 (June 30, 2015 - R$422,000), relating to interest on equity, equivalent to R$0.19 (June 30, 2015 - R$0.16) per share, which generated R$225,000 (June 30, 2015 - R$168,800) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2015, and the payment occurred on March 5, 2015.

20. Income from services rendered

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Management and performance fee from investment funds and portfolios	309,259	501,620	976,180	1,165,514
Brokerage	137,426	106,124	437,396	222,657
Technical services	242,214	189,148	593,562	479,796
Commission on the placement of securities	29,637	74,748	88,693	153,794
Guarantees	55,080	63,800	169,533	167,520
Other services	53,440	4,260	62,367	17,705
	827,056	939,700	2,327,731	2,206,986

21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Recovery of charges and expenses	5,904	14,431	8,888	14,723
Reversal of provision - employees' profit sharing	2,902	(44,381)	2,902	-
Reversal of provision - other	-	9,151	-	9,151
Reversal of provision - contingencies	28,607	130,357	224,663	448,614
Adjustment to inflation of judicial deposits	9,832	55,415	198,883	240,231
Foreign exchange rate gains	85,949	216,212	201,159	415,570
Warehousing revenues	30,143	-	84,996	-
Fair value of investment properties	-	22,130	-	22,130
Adjustment of amounts payable for acquisition of investments	57,770	43,724	186,368	197,103
Other operating income	36,079	57,444	34,327	116,429
	257,186	504,483	942,186	1,463,951

22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Tax restatement expense	21,129	21,085	71,150	151,227
Foreign exchange rate losses	(4,993)	21,889	377,262	87,028
Reimbursement of clients	2,466	1,391	17,704	4,001
Monetary restatement expense	1,776	52,939	5,041	172,841
Adjustment of amounts payable for acquisition of investments (i)	(4,044)	4,433	102,523	226,470
Goodwill amortization (ii)	43,518	91,485	126,815	146,240
Discounts granted in renegotiation	13,362	184,592	28,727	184,592
Allowance for other investments	-	570,237	-	570,237
Guarantees granted allowances	-	24,908	-	24,908
Allowance for other receivables without loan characteristics	14,064	-	120,267	-
Net expenses of phisycal commodities	133,912	245,357	233,671	245,357
Other	6,130	63,761	9,891	136,843
	227,320	1,282,077	1,093,051	1,949,744

(i) Refers to update of amount payable for the acquisition of investments (mainly Banco Pan S.A. and Banco Sistema S.A.).
(ii) There was basically goodwill amortization from Celfin and Bolsa y Renta.

23. Other administrative expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Outsourced services and consulting	322,800	205,479	811,876	417,806
Telecommunications and data processing	103,838	135,723	321,625	281,814
Leases and condominiums	47,931	47,283	143,946	107,000
Travel and lodging	18,562	37,931	51,395	82,572
Expenses of the financial system	114,043	150,010	287,494	238,999
Advertising and public relations	14,097	16,668	46,076	38,307
Depreciation and amortization	60,101	37,289	210,344	80,098
Other	20,767	25,928	51,358	45,589
	702,139	656,311	1,924,114	1,292,185

24. Related parties

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

			Assets/(Liabilities)		Revenues/(Expenses)	
	Relationship	Maturity	30/09/2016	31/12/2015	30/09/2016	30/09/2015
Assets						
Open market investments						
- Banco Pan S.A.	Jointly Controlled	01/07/2016	60,496	630,001	55,378	8,742
Interbank investments deposits						
- Banco Pan S.A.	Jointly Controlled	01/07/2016	432,000	310,000	49,390	182,811
Securities						
- BTG Investments LP (i)	Related	17/04/2018	244,052	194,711	2,741	4,375
- Banco Pan S.A.	Jointly Controlled	23/04/2020	12,734	23,040	-	-
Derivative financial instruments						
- BTG Investments LP (i)	Jointly Controlled	No maturity	36,095	-	-	119,148
- Banco Pan S.A.	Jointly Controlled	15/02/2022	-	2,025	-	-
Loans and Receivables						
- BSI UK Holding	Related	14/09/2025	-	3,663,406	-	-
- Partners and key members	Partners	No maturity	574,706	634,253	56,592	52,227
Sundry						
- BTG Investments LP (i)	Jointly Controlled	17/04/2018	244,052	194,711	2,741	4,375
Liabilities						
Time deposits						
- BTG Investments LP (i)	Related	01/10/2016	(8,923)	(735,287)	-	(3,398)
- BTG Equity Investment LLC	Related	01/10/2016	-	(25,112)	-	-
- BTG Pactual Absolute Return Master Fund II (i)	Related	01/10/2016	-	(22,845)	-	-
- BTGP Reinsurance Holdings LP	Related	01/10/2016	-	(1,850)	-	-
- BRPEC Agropecuária (i)	Related	01/10/2016	-	-	(472)	-
Open market funding						
- BRPEC Agropecuária (i)	Related	23/03/2017	-	(165,336)	(17,972)	(8,030)
Securities issued abroad						
- BTG Investments LP (i)	Related	29/02/2049	(1,833,685)	(1,930,422)	(674,608)	(11,876)
- BTG MB Investments LP	Related	No maturity	(612,967)	(404,162)	(71,596)	(122,715)
Derivative financial instruments						
- Banco Pan S.A.	Jointly Controlled	15/02/2022	(66,155)	(351,450)	-	(140,823)
Debt instrument eligible to equity						
- BTG Investments LP (i)	Related	No maturity	-	-	-	(12,643)
Sundry						
- BTG Pactual Holding S.A.	Parent Company	No maturity	(105,813)	(102,916)	-	-
- BTG Investments LP (i)	Related	No maturity	(31,230)	-	-	-

(i) Subsidiaries of BTG Pactual Participations Ltd.

Total compensation paid to key management personnel totaling this period R$4,065 (September 30, 2015 – R$52,665) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

Balances at beginning of the period	**31/12/2015**	**31/12/2014**
Cash and cash equivalents	20,490,900	1,585,254
Open market investments	9,073,969	16,356,157
Interbank deposits	8,864,471	4,480,899
	38,429,340	22,422,310

Balances of end of the period	**30/09/2016**	**30/09/2015**
Cash and cash equivalents	572,180	23,061,113
Open market investments	13,204,315	11,223,442
Interbank deposits	1,272,103	4,963,947
	15,048,598	39,248,502

b. Commitments and responsibilities

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

	30/09/2016	**31/12/2015**
Co-obligation and risks for guarantees granted	43,075,136	47,235,738
Responsibility for the management of futures and investment portfolio (i)	250,101,129	293,199,570
Securities	29,567,332	35,765,526
Securities under custody	1,115,576,369	1,106,442,487
Securities trading and brokerage	1,629,312,436	1,879,311,558
Loans contract to release	308,668	940,768
Commitments to be released	368,700	128,280

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

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

"Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

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

"Loans contracted to release" register amounts related to loans contracted with clients to release.

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

26. Subsequent event

On October 19, 2016, the financial assistance line obtained from Fundo Garantidor de Créditos – FGC, (See Note 15b), had its outstanding amount fully paid.

Further to process of separation of its commodity trading activities described in Note 2, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP against delivery to Banco of 596,209,676 Class C Preferred Shares ("PNCs") that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP.

Still in October and as part of the commodity trading activities separation process, Engelhart CTP acquired 4.3% of its own shares held by Banco. The total consideration was US$100 million and the price was equivalent to Engelhart CTP's net asset accounting value.

On November 1, 2016 all closing conditions were met and the sale of 100% of BSI to EFG has been completed. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG. EFG's stake were accounted for using the equity pick up method.