# BTG Pactual – Earnings Release

## Second Quarter 2016

*August 09, 2016*

## Highlights

Rio de Janeiro, Brazil, August 09, 2016 - Banco BTG Pactual and BTG Pactual Participations (“BTGP”, and together with Banco BTG Pactual and their respective subsidiaries, “BTG Pactual”) (BM&FBOVESPA: BBTG11 and Euronext: BTGP) today reported combined adjusted total revenues of R$2,594.8 million and combined net income of R$940.3 million for the quarter ended June 30, 2016.

Net income per unit, and annualized return on average shareholders’ equity (ROAE) of BTG Pactual, were R$1.07 and 16.1%, respectively, for the quarter ended June 30, 2016.

As of June 30, 2016, total assets for BTG Pactual were R$213.3 billion, a 9% decrease when compared to March 31, 2016, and the BIS capital ratio for Banco BTG Pactual was 14.2%.

### BTG Pactual Financial Summary and Key Performance Indicators[1]

| Highlights and KPIs (unaudited) | Quarter | | | Year to Date | |
|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 | 6M 2015 | 6M 2016 |
| Total revenues | 2,047 | 3,612 | 2,595 | 4,008 | 6,207 |
| Operating expenses | (1,016) | (1,814) | (1,578) | (1,806) | (3,392) |
| Of which fixed compensation | (228) | (569) | (500) | (443) | (1,069) |
| Of which variable compensation | (394) | (502) | (354) | (566) | (856) |
| Of which non compensation | (394) | (743) | (723) | (798) | (1,466) |
| **Net income** | **1,023** | **1,071** | **940** | **1,877** | **2,012** |
| Net income per unit (R$) | 1.13 | 1.19 | 1.07 | 2.07 | 2.29 |
| **Annualized ROAE** | **21.0%** | **18.8%** | **16.1%** | **19.5%** | **17.5%** |
| Cost to income ratio | 50% | 50% | 61% | 45% | 55% |
| **Shareholders' equity** | **19,754** | **23,176** | **23,527** | | |
| BIS Capital Ratio (Banco BTG Pactual only) | 16.9% | 15.5% | 14.2% | | |
| Total assets (in R$ Billion) | 209.0 | 234.5 | 213.3 | | |
| AuM and AuA (in R$ Billion) | 214.8 | 135.6 | 118.4 | | |
| WuM (in R$ Billion) | 91.9 | 369.1 | 310.0 | | |

*Note:*

*(1) Includes BSI from September 1st 2015 onwards – a one month impact for the 3Q 2015, and a full impact from 4Q 2015 onwards*

## Performance

For 2Q 2016, we achieved an annualized ROAE of 16.1% and net income of R$940.3 million. In the quarter, revenues were down 28% and net income decreased 12%, when compared to 1Q 2016. When compared to 2Q 2015, revenues increased 27% and net income decreased 8%, respectively. During 2Q 2016, we had solid revenues in (i) Sales & Trading, where most desks had robust revenue contribution (ii) Corporate Lending, which continues to have a solid and stable performance, enhanced by good returns on NPL portfolios and (iii) Investment Banking, with good performance especially from M&A. Finally, Principal Investments have posted negative results mostly due to internal funding costs, in the same time we continue to decrease exposure.

Our operating expenses reached R$1,578.0 million, a 13% decrease when compared to 1Q 2016, mainly attributable to (i) lower bonus expenses, in consonance with the decrease in revenues, (ii) lower salaries and benefits and administrative expenses, as a result of our cost reduction program. The results of our cost reduction program are not yet fully reflected in the quarter as we have still incurred layoffs and other implementation related costs in the period. Consequently, in the quarter our cost to income ratio was 60.8% and our compensation ratio was 32.9%, and excluding BSI, 44.0% and 25.1%, respectively.

As a result, our net income reached R$940.3 million in 2Q 2016, down 12% when compared to 1Q 2016 and 8% when compared to 2Q 2015. In the quarter, our effective income tax rate was 7.5%.

Our shareholders' equity grew 2% from R$23,2 billion at the end of 1Q 2016 to R$23,5 billion at the end of 2Q 2016, taking into account distribution of JCP in the amount of R$500 million in the period. When compared to the end of 2Q 2015, our shareholders' equity grew 19%. Basel index for Banco BTG Pactual was 14.2% in the quarter.

BTG Pactual's AuM and AuA ended 2Q 2016 at R$118.4 billion, a 13% decrease when compared to end of 1Q 2016, and our WuM ended the period at R$310.0 billion, a 16% decrease when compared to 1Q 2016. At year end our total Assets and Wealth under Management and Administration were R$428.4 billion[1].

"We have successfully dealt with a major stress situation. We took all of the necessary measures to preserve our financial strength while meeting clients and investors' expectations and demands. BTG Pactual emerges from this period with a solid balance sheet, financial ratios and governance structure. We kept our core values and business capabilities intact. The amounts of Asset and Wealth under management are now stable with positive inflows at the end of the quarter. Thanks to the dedication and professionalism of our people we are glad to say that the homework is done. We continue to be profitable and ready to serve our clients with the same level of excellence", said Persio Arida., chairman of BTG Pactual Board.

[1] *Total Assets and Wealth under Management and Administration is a simple sum and includes double counting.*

## Relevant Events

In June 20, Banco BTG Pactual paid dividends and interest on equity in the amount of R$492 million, related to earnings from 2015.

In July 19, BTG Pactual initiated formally the separation of its commodity trading activities previously announced. Upon the completion of the commodities transaction together with the implementation of the sale of BSI, which are both expected to 3Q 2016, Banco BTG Pactual will reduce its shareholders' equity in up to USD 1 billion. Completion of the separation depends on restructuring steps as well as regulatory approvals. Additional information can be obtained on the specific material facts published.

In July 26, BTG Pactual announced that former Minister and Chief Justice of the Supreme Court (STF) Nelson Azevedo Jobim was appointed a partner of BTG Pactual, in charge of Institutional Relations and Compliance Policies, and a member of the Board of Directors.

In 2Q 2016, we acquired 1.5 million units of BBTG11, and recognized gains in the amount of approximately R$46 million relating to our notes and other liabilities acquired in the market, below par. In July 14, BTG Pactual Group approved the cancelation of treasury shares held and approved the acquisition of up to 15 million Units, in line with our buyback program.

The sale of Leader, previously announced, was completed on July 27.

## Global Market and Economic Analysis

The risk on mode that started at the end of February continued through April and part of May based on the expectation that Fed (Federal Reserve) would remain on hold for longer given their concerns about the global economic and financial conditions. However, at the end of May the Fed's Minutes indicated that an interest rate hike at the June meeting could be appropriate if the data were consistent with economic growth picking up in the second quarter. This indication resulted in both an increase in the Treasury Yield and an appreciation of the dollar.

In addition, at the beginning of June the opinion polls in the UK regarding the possibility of leaving the European Union (EU), "Brexit", started to show a tighter result for the Referendum, increasing the uncertainty about the potential consequences for the UK and for the global growth. In fact, the UK decision to leave the EU on June 23 resulted in a decline in the equity prices and an increase in the dollar at first. Nevertheless, as expectations that the major Central Banks would act to offset any negative impact on growth built, the negative impact on the markets faded.

In the quarter S&P500 index rose 1.9%, as the impact from the Brexit on the US was seen as very small given the low exposure to the UK. DAX, on the other hand, declined 2.9% as the reversal of the negative impact from the Brexit took longer to affect the equity prices. Nikkey declined 7.1% in the quarter due to the sharp appreciation of the currency in June. In Brasil, Ibovespa rose 2.9%, reflecting announcement of fiscal measures that are expected to be approved during second the half of the year. In Mexico, stock prices rose 0.2%, in Chile 1.5% and in Colombia it declined 1.7%.

On FX market, DXY index rose 1.7%. The appreciation of the dollar was more pronounced after the Fed's change in communication in May and at the end of June due to the Brexit. It is interesting to note that although negative impact from Brexit on equity prices was reversed, especially in July, the dollar continued to appreciate as EUR and YEN depreciated on the back of expectations of more monetary stimulus. In 2Q 2016, however, YEN appreciated 9.1% and EUR depreciated 2.4% against the USD. Regarding Latin American currencies, BRL appreciated 11.8% due to improvement in Brazilian risk premium, Colombian Peso appreciated 2.8% and Chilean Peso 0.7%. On the other hand, Mexican Peso depreciated 5.5%.

In rates market, 10 year Treasury Yield declined 30 basis points to 1.47%. Decline occurred mainly in June in anticipation of Brexit effects on global growth. In Germany, 10 year interest rate declined 28 basis points to -0.13% and in Japan 19 basis points to -0.22%. Perspective of a further decline in interest rate by the ECB (European Central Bank) and by the BOJ (Bank of Japan) to an even more negative rate played a role in decline of the long-term interest rate. In Brazil, DI contract expiring on Jan 25 declined another 188 basis points to 12.31%. In Mexico, 10 year swap rate was roughly flat (+2 basis points), in Colombia it declined 14 basis points and in Chile it declined 24 basis points.

In Brazil, after a contraction of 0.3% in 1Q 2016, GDP should post another drop in 2Q 2016. However, some green shoots for economic activity are now starting to surface. After stabilizing, confidence indicators are now rebounding across the board for consumers and business alike. In fact, market consensus for 2016 and 2017 GDP had been upgraded to -3.3% and +1.1% (from -3.7% and +0.3%, respectively, at the end of Q1).

After peaking at 10.7% at the end of last year, 12-month IPCA inflation had already fallen below 9% y/y by June – its lowest figure since mid-2015. Core and services inflation have also lost steam, and the diffusion index has also brought good news. Market consensus for 2016 IPCA inflation has remained flattish at 7.3%, due to upward surprises earlier this year, but consensus for longer horizons continues to come down, falling to 5.3% for 2017 (from 6% at the end of Q1) and returning to full alignment with the 4.5% target midpoint in 2018 (down from 5.5%) and beyond. Additional progress in 2017 IPCA consensus is possible, reflecting a more benign outlook for the BRL/USD exchange rate and the latest batch of softer prints from services inflation.

On the external front, rolling 12-month current account deficit totaled US$29.4bn (1.7% of GDP) in June, almost half the US$58.9bn deficit for YE2015. While the pace of current account correction is likely to abate going forward, the latest figures indicate that the outlook for the financial account is brightening up.

On the fiscal side, rolling 12-month consolidated primary public-sector deficit ended May at 2.5% of GDP, causing gross public debt to creep up to 68.6% of GDP (vs. 67.4% at the end of Q1) and net debt to 39.7% (from 39%). Since budget rigidity prevents a swift recovery in the recurring primary result to debt-stabilizing levels, attention has shifted to the odds of approving an ambitious agenda of structural fiscal reforms, including constitutional amendments to place a ceiling on (nominal) growth of overall primary expenditures over the next two decades (favoring their decline as a percentage of GDP) to curb the mandatory increase in earmarked expenditures in areas such as health and education, and a sweeping reform of Brazil's social security system. Meanwhile, authorities are also exploring initiatives to obtain extraordinary revenues from asset sales and infrastructure concessions, with the revision of existing tax breaks and the consideration of tax rate hikes apparently left for a later phase of the business cycle and of the legislative agenda.

## Combined Adjusted Revenues

Revenues in 2Q 2016 decreased 28% when compared to 1Q 2016 and were up 27% when compared to 2Q 2015. When compared to 2Q 2015 increase in revenues was mainly due to solid performance from Sales & Trading and the consolidation of BSI.

| Combined Adjusted Revenues (unaudited) | Quarter | | | 2Q 2016 % change to | | Year to Date | | 6M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 | 6M 2015 | 6M 2016 | 6M 2015 |
| Investment Banking | 162 | 62 | 80 | -51% | 29% | 203 | 142 | -30% |
| Corporate Lending | 302 | 206 | 276 | -9% | 34% | 619 | 482 | -22% |
| Sales & Trading | 313 | 1,955 | 1,147 | 267% | -41% | 1,481 | 3,102 | 109% |
| Asset Management | 269 | 182 | 130 | -52% | -29% | 540 | 312 | -42% |
| Wealth Management | 113 | 1,228 | 564 | 401% | -54% | 222 | 1,792 | 708% |
| Principal Investments | 508 | (519) | (211) | n.a. | n.a. | 64 | (729) | n.a. |
| Pan | 3 | (40) | (46) | n.a. | n.a. | (22) | (86) | n.a. |
| Interest & Others | 377 | 537 | 655 | 74% | 22% | 901 | 1,193 | 32% |
| **Total revenues** | **2,047** | **3,612** | **2,595** | **27%** | **-28%** | **4,008** | **6,207** | **55%** |

## Investment Banking

The tables below present details related to announced transactions in which BTG Pactual participated:

| BTG Pactual Announced Transactions (unaudited) | Number of Transactions(1),(3) | | | Value(2),(3) (US$ mln) | | |
|---|---|---|---|---|---|---|
| | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 | 2Q 2016 |
| Financial Advisory (M&A)(4) | 12 | 9 | 6 | 3,028 | 3,055 | 10,936 |
| Equity Underwriting (ECM) | 2 | 1 | - | 187 | 34 | - |
| Debt Underwriting (DCM) | 9 | 2 | 9 | 2,352 | 251 | 275 |

| BTG Pactual Announced Transactions (unaudited) | Number of Transactions(1),(3) | | Value(2),(3) (US$ mln) | |
|---|---|---|---|---|
| | 6M 2015 | 6M 2016 | 6M 2015 | 6M 2016 |
| Financial Advisory (M&A)(4) | 17 | 15 | 7,169 | 13,991 |
| Equity Underwriting (ECM) | 3 | 1 | 344 | 34 |
| Debt Underwriting (DCM) | 17 | 11 | 2,676 | 526 |

*Source: Dealogic for ECM, M&A and International Brazilian DCM and Anbima for Local Brazilian DCM*

*Note:*

*(1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.*

*(2) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates.*

*(3) Market data from previous quarters might vary in all products, due to potential inclusion and exclusions.*

*(4) M&A market data for previous quarters may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets)*

## Investment Banking 6M 2016 market share highlights

M&A: #1 in transaction volumes in Brazil and Latin America and #2 in announced transactions in Brazil and Latin America.

ECM: #6 in number of transactions in Latin America

DCM: #6 in transaction volumes in Brazil

## 2Q 2016 vs. 1Q 2016

Investment Banking revenues increased 29%, from R$62.1 million in 1Q 2016 to R$79.9 million in 2Q 2016. The increase was mainly attributable to Financial Advisory performance in the quarter. We continue to lead M&A market across LatAm. In debt underwriting, our revenues decreased due to low market activity. In equity capital markets revenues remained stable at low levels, with limited market activity.

## 2Q 2016 vs. 2Q 2015

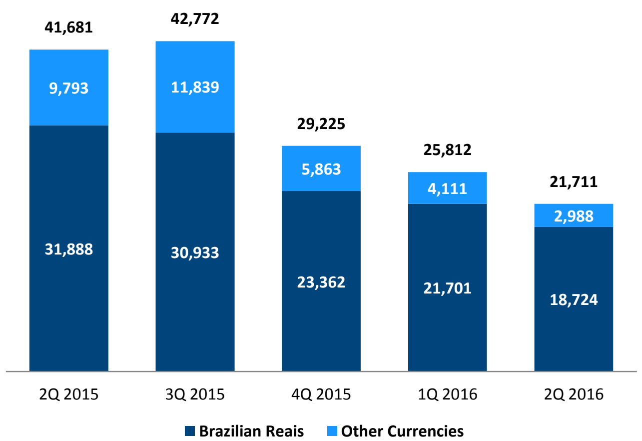
Revenues in the quarter decreased 51% when compared to the same period of last year, primarily due to higher Financial Advisory revenues in 2Q 2015 given the closing of significant transactions in the period, which did not happen in 2Q 2016. ECM also posted lower revenues in 2Q 2016, due to continuing weak market activity.

## Corporate Lending

At quarter end, our Corporate Lending book decreased 16%, mainly as a consequence of prepayment and to the appreciation of the Real in relation to the Dolar in the period.

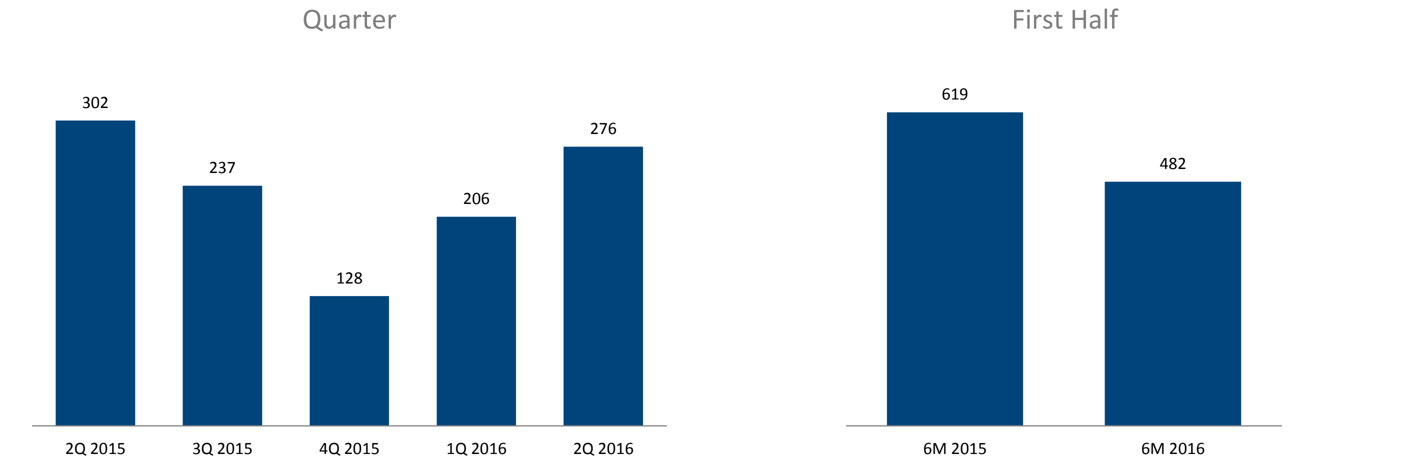
The decrease in the portfolio, through sales and prepayments, amounted to approximately R$1.5 billion. Taking in consideration the economic scenario and the pace of exposure reduction implementation, we believe that the financial results of transactions, attest vigorously to the quality of our credit portfolios and the adequacy of our marks, which will continue to be applied in a prudent and conservative manner to the portfolio.

**Corporate Lending Portfolio**
*(in R$ million)*



**Revenues**

*(in R$ million)*




## 2Q 2016 vs. 1Q 2016

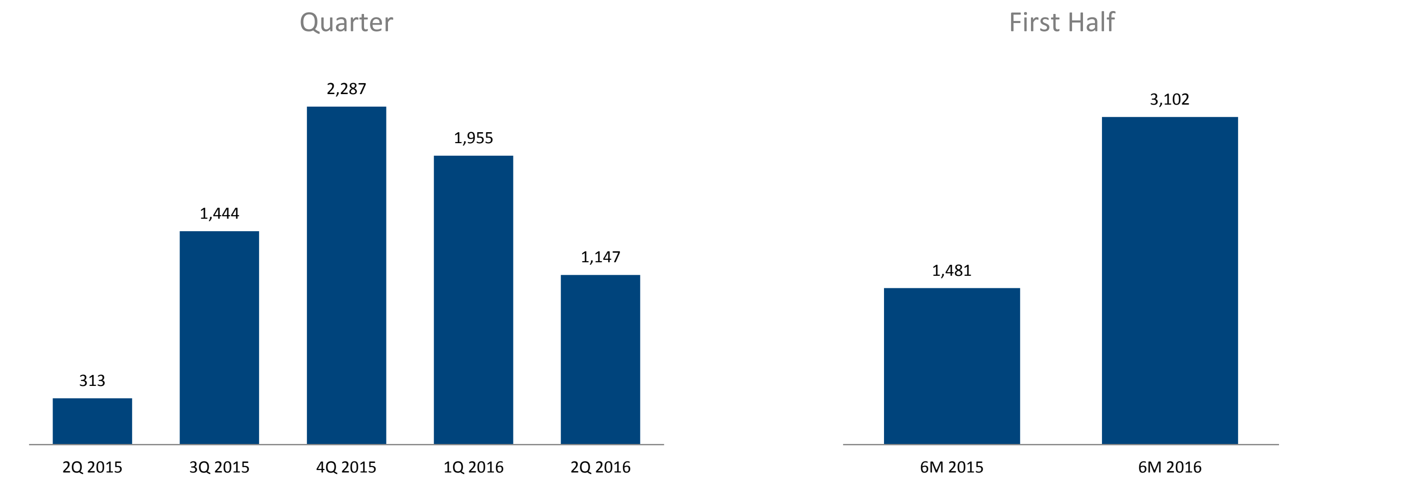
Revenues from Corporate Lending increased 34% from R$206.5 million in 1Q 2016 to R$275.8 million in 2Q 2016. Our revenues were positively impacted by credit recovery in our NPL portfolios. Not taking into account the NPL impact, our gross spread continues to be in line with our historical average. In spite of the challenging macro environment in LatAm and the impacts in ratings of our counterparties, our portfolio continued to perform well and there were lower expenses related to provisions for loan losses in 2Q 2016 when compared to previous quarter.

## 2Q 2016 vs. 2Q 2015

Revenues from Corporate Lending decreased 9%, from R$301.6 million to R$275.8 million, mainly due to the 48% reduction of the corporate lending portfolio partially offset by lower expense on provisions in 2Q 2016.

## Sales & Trading

**Revenues**
*(in R$ million)*




### 2Q 2016 vs. 1Q 2016

Sales & Trading revenues reached R$1,147.1 million in 2Q 2016, a strong level of performance. When compared to the strong results of the previous quarter, and excluding gains from repurchases of our own liabilities, which impacted mostly 1Q 2016, revenues would have decreased 38%, especially due to lower contribution of Brazil Energy and FX desks. We had solid revenue contribution from our rates and commodities desks.

### 2Q 2016 vs. 2Q 2015

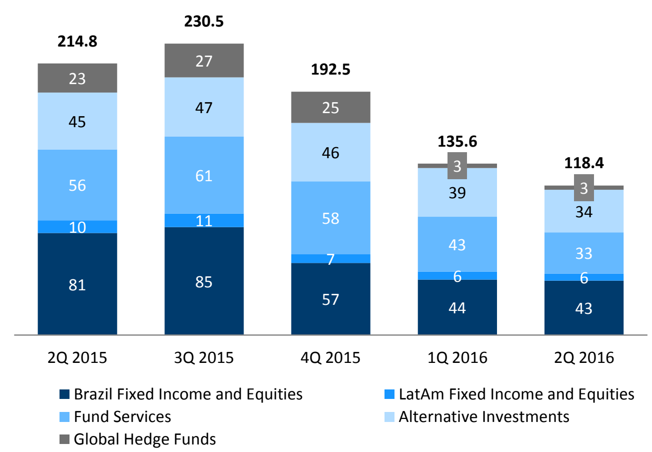
Sales & Trading revenues increased 267%, from R$312.8 million to R$1,147.1 million. Revenue growth was mainly attributable to strong performance from our commodities desks, especially in agriculture and energy, which had significantly higher revenues in 2Q 2016 and positive revenue contribution from our equities desks, reversing the negative performance from previous periods.

## Asset Management

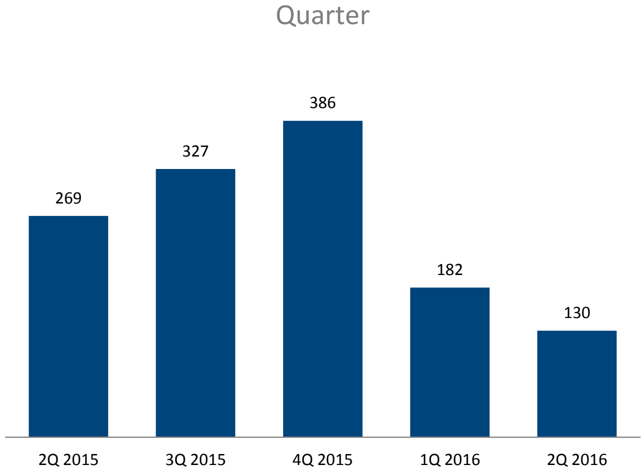
At quarter end, our Assets under Management and Assets under Administration decreased R$17.2 billion, from R$135.6 billion in 1Q 2016 to R$118.4 billion in 2Q 2016. Net new money was negative R$13.1 billion in the quarter, of which the largest part (R$12 billion) are related to redemptions requests received in fund services in January, that are still being processed as they require new vendors set up. We already experienced positive inflows in Alternative investments and Global Hedge Funds.

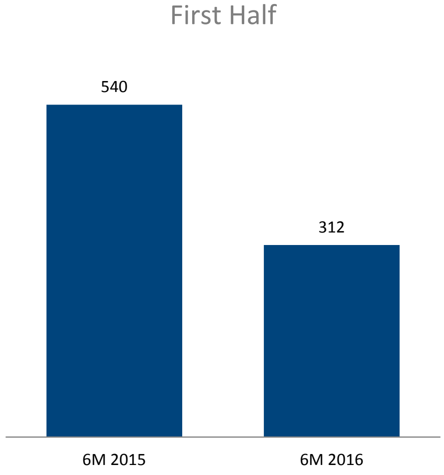
**AuM & AuA by Asset Class**

*(in R$ billion)*



**Revenues**
*(in R$ million)*




## 2Q 2016 vs. 1Q 2016

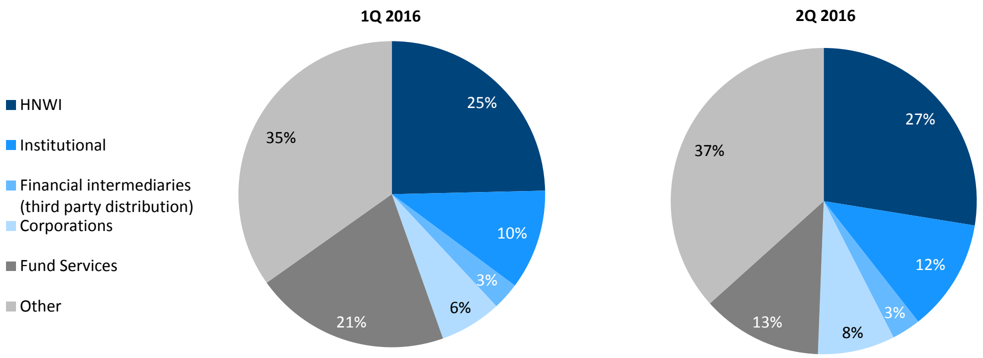
Asset Management revenues decreased 29% from R$182.2 million in 1Q 2016 to R$129.8 million in 2Q 2016. The decrease was mainly due to the reduction in the average AuM / AuA, as a consequence of the liquidation of redemptions especially in Global Hedge funds, which occurred throughout January and February and partially impacted revenues during 1Q 2016. Revenues in both quarters reflect mostly management fees.

## 2Q 2016 vs. 2Q 2015

Asset Management revenues decreased 52% from R$269.5 million in 2Q 2015 to R$129.8 million in 2Q 2016. The decrease was in line with the reduction of AuM / AuA in the period, as explained above.

**AuM and AuA by Type of Client**

*(%)*

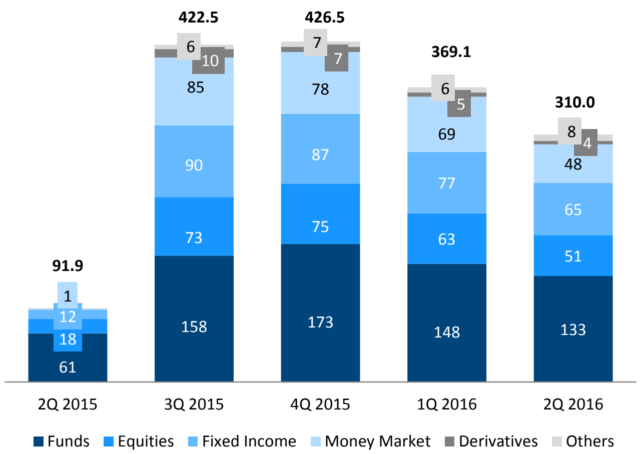


## Wealth Management

At quarter end, our Wealth under Management reduced 16% from R$369.1 billion in 1Q 2016 to R$310.0 billion in 2Q 2016. In the quarter, our NNM was negative R$5.1 billion for BTG Pactual stand alone. Redemption requests were concentrated in the 2 weeks following November 25, 2015 and have since then stabilized, an important part of its implementation impacted 1Q 2016 and 2Q 2016 NNM. WuM was also negatively impacted by the appreciation of Real in the period. BSI's WuM was mostly impacted by negative NNM of CHF 6.3 billion and the Swiss Franc depreciation in relation to the Real in the period.

**WuM by Class of Asset**

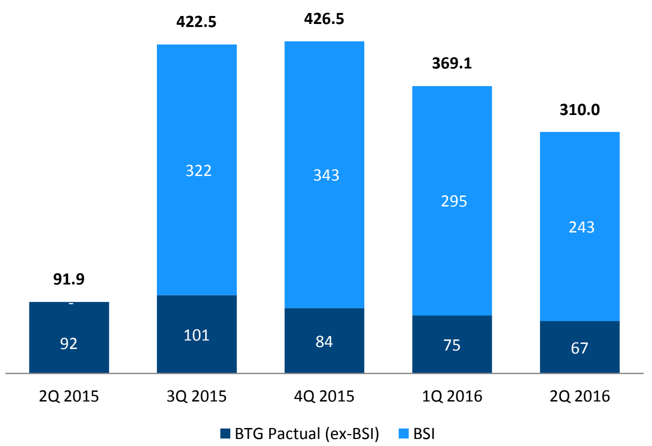
*(in R$ billion)*




Note: BSI's WuM from 4Q 2015 on includes assets under custody

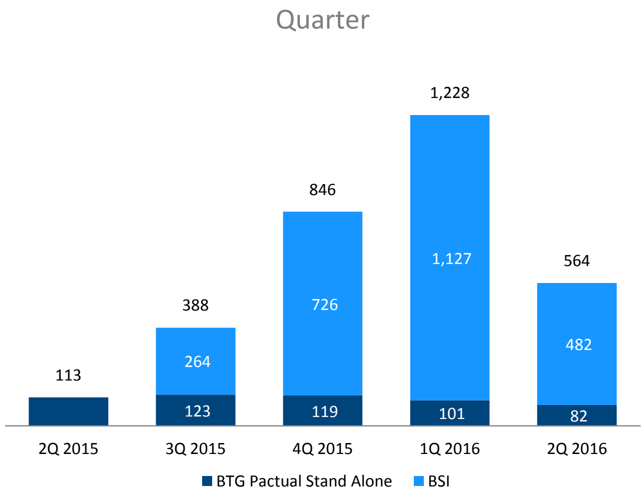
**WuM breakdown**

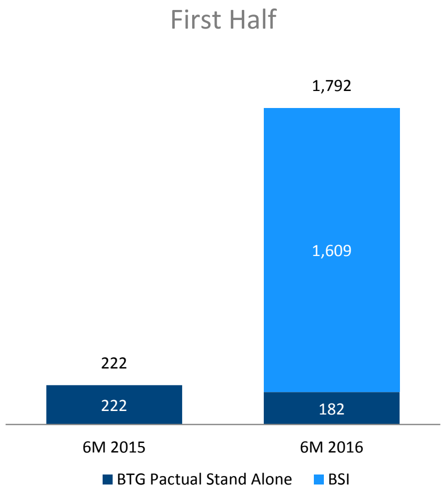
*(in R$ billion)*



**Revenues**[1]

*(in R$ million)*




*(1) Includes BSI from September 1st 2015 onwards – an one month impact for the 3Q 2015, and a full impact from 4Q 2015 onwards.*

## 2Q 2016 vs. 1Q 2016

Revenues from Wealth Management decreased 54% from R$1,227.9 million in 1Q 2016, compared to R$563.8 million in 2Q 2016. The decrease in revenues is mainly attributable to (i) extraordinary revenues from BSI, from the sale of the stake in B-Source, a business process outsourcer in Switzerland, and credit recovery in BSI's credit portfolio in the previous quarter, (ii) Real appreciation in 2Q 2016, impacting both BTG Pactual Stand Alone and BSI's revenue contribution and (iii) WuM reduction due to negative NNM as previously explained.

## 2Q 2016 vs. 2Q 2015

Revenues from Wealth Management increased 401%, from R$112.5 million to R$563.8 million. The increase was mainly due to revenues from BSI, given its consolidation starting in September 2015, in spite of reduction in revenues from our WM LatAm platform, in line with the decrease in average WuM in the period.

## Principal Investments

| Principal Investments Revenues (preliminary and unaudited) *(in R$ million, unless otherwise stated)* | Quarter | | | 2Q 2016 % change to | | Full Year | | 6M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 | 6M 2015 | 6M 2016 | 6M 2015 |
| Global Markets | (111) | (183) | 5 | n.a. | n.a. | (146) | (178) | n.a. |
| Merchant Banking | 872 | (240) | (231) | n.a. | n.a. | 335 | (471) | n.a. |
| Real Estate | (253) | (96) | 16 | n.a. | n.a. | (125) | (80) | n.a. |
| **Total** | **508** | **(519)** | **(211)** | **n.a.** | **n.a.** | **64** | **(729)** | **n.a.** |

### 2Q 2016 vs. 1Q 2016

Principal Investments had losses of R$210.8 million in 2Q 2016, compared to losses of R$518.6 million in 1Q 2016.

In the quarter, Global Markets had positive contribution mainly driven by contribution from global rates and equities strategies compensated by internal funding cost allocation. In Merchant Banking we recorded losses of R$231.0 million primarily driven by (i) internal funding cost allocation, which gradually reduces as we continue to decrease exposure and (ii) further impairment of certain investments. In Real Estate we had positive contribution mainly driven by the partial sale of our stake in BRPR, partially compensated by impairments in real estate assets and internal funding cost allocation.

### 2Q 2016 vs. 2Q 2015

Revenues from Principal Investments varied from gains of R$507.6 million in 2Q 2015 to losses of R$210.8 million in 2Q 2016. The change reflects historically high revenues in Merchant Banking in 2Q 2015, given the Rede D'or transaction with revenues of R$1.3 billion, partially compensated by higher contribution from Global Markets and Real Estate in 2Q 2016, as described above.

## Pan

From the 1Q 2014 on, we started to report Banco Pan's results gross of funding cost to allow for a more straightforward comparison with the results posted by Banco Pan. Pan results represent share of profits of our stakes in Banco Pan, Pan Seguros and Pan Corretora.

### 2Q 2016 vs. 1Q 2016

Revenues from Pan changed from negative R$40.1 million in 1Q 2016 to negative R$46.2 million in 2Q 2016. The negative contribution is composed of (i) R$51.8 million from our share of losses in Banco Pan, and (ii) a positive contribution of R$5.6 million from Pan Seguros and Pan Corretora, which is composed of R$11.5 million share of profits minus R$5.9 million goodwill amortization of such investments.

### 2Q 2016 vs. 2Q 2015

Pan had negative revenues of R$46.2 million in 2Q 2016, compared to gains of R$3.2 million in 2Q 2015.

## Interest & Others

### 2Q 2016 vs. 1Q 2016

Interest & Others revenues were R$655.4 million in 2Q 2016, compared to R$537.3 million in 1Q 2016. Revenues are composed of the average interest rate of the Central Bank of Brazil applied to our equity.

### 2Q 2016 vs. 2Q 2015

Revenues from Interest & Others increased 74% in the period, in line with (i) the increase in the average interest rate of the Central Bank of Brazil, from 13.75% in 2Q 2015 to 14.25% in 2Q 2016 and (ii) the 19% growth of our shareholders' equity in the period and (iii) negative impact from certain hedging instruments in 2Q 2015.

## Combined Adjusted Operating Expenses

| Combined Adjusted Operating Expenses (unaudited) | Quarter | | | 2Q 2016 % change to | | Year to Date | | 6M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 | 6M 2015 | 6M 2016 | 6M 2015 |
| Bonus | (394) | (502) | (354) | -10% | -29% | (566) | (856) | 51% |
| Salaries and benefits | (228) | (569) | (500) | 120% | -12% | (443) | (1,069) | 141% |
| Administrative and other | (227) | (554) | (574) | 153% | 4% | (466) | (1,128) | 142% |
| Goodwill amortization | (50) | (55) | (54) | 8% | -1% | (97) | (109) | 13% |
| Tax charges, other than income tax | (116) | (134) | (94) | -19% | -30% | (235) | (229) | -3% |
| **Total operating expenses** | **(1,016)** | **(1,814)** | **(1,578)** | **55%** | **-13%** | **(1,806)** | **(3,392)** | **88%** |
| Cost to income ratio | 50% | 50% | 61% | 23% | 21% | 45% | 55% | 21% |
| Compensation ratio | 30% | 30% | 33% | 8% | 11% | 25% | 31% | 23% |
| Total number of employees | 3,488 | 4,859 | 4,797 | 38% | -1% | 3,488 | 4,551 | 30% |
| Partners and associate partners | 245 | 198 | 189 | -23% | -5% | 245 | 189 | -23% |
| Employees (1) | 3,054 | 4,416 | 4,362 | 43% | -1% | 3,054 | 4,362 | 43% |
| Other | 189 | 245 | 246 | 30% | 0% | 189 | 246 | 30% |

| Operating Expenses Breakdown (unaudited) | BSI | | BTG Pactual Stand Alone | | | | 6M 2016 % change to |
|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 1Q 2016 | 2Q 2016 | 1Q 2016 | 2Q 2016 | 6M 2015 | 6M 2016 | 6M 2015 |
| Bonus | (99) | (65) | (403) | (289) | (566) | (693) | 22% |
| Salaries and benefits | (286) | (260) | (283) | (241) | (443) | (524) | 18% |
| Administrative and other | (247) | (312) | (307) | (263) | (466) | (570) | 22% |
| Goodwill amortization | - | - | (55) | (54) | (97) | (109) | 13% |
| Tax charges, other than income tax | (12) | (11) | (122) | (83) | (235) | (205) | -13% |
| **Total operating expenses** | **(644)** | **(647)** | **(1,170)** | **(931)** | **(1,806)** | **(2,100)** | **16%** |
| Cost to income ratio | 57% | 134% | 47% | 44% | 45% | 46% | |
| Compensation ratio | 34% | 67% | 28% | 25% | 25% | 26% | |
| Total Employees[(1,2)] | 1,841 | 1,844 | 2,820 | 2,764 | | | |

*Note:*

*(1) BSI´s employees are expressed in FTE (full-time equivalent)*

*(2) Excludes partners and Associate Partners*

*(3) Includes BSI from September 1st 2015 onwards – an one month impact for the 3Q 2015, and a full impact for 4Q 2015 onwards*

## Bonus

Bonus expense was R$354.3 million in 2Q 2016, a 29% decrease when compared to 1Q 2016 and 10% lower when compared to 2Q 2015, and excluding BSI's impact, it would have decreased 28% when compared to 2Q 2016 and 27% when compared to 2Q 2015. Our bonuses are determined in accordance with our profit-sharing program, and are calculated as a percentage of our adjusted, or operating, revenues (which exclude Interest & Others revenues), reduced by our operating expenses.

## Salaries and benefits

Staff costs decreased 12% when compared to 1Q 2016 and increased 120%, when compared to 2Q 2015; excluding BSI's impact, costs would have decreased 15% when compared to 1Q 2016 and remained stable when compared to 2Q 2015. The BTG Pactual stand-alone staff costs for the quarter includes one-off expenses related to staff reduction of approximately R$17 million, partially compensated by benefit of such reduction, which started in 1Q 2016, as part of our cost reduction program. Expenses related to salaries and benefits were R$227.9 million in 2Q 2015 and R$568.9 million in 1Q 2016, compared to R$500.5 million in 2Q 2016.

## Administrative and other

Total administrative and other expenses increased 4%, from R$553.7 million in 1Q 2016 to R$574.5 million in 2Q 2016; excluding BSI's impact, expenses would have reduced 14%, which is mostly related to higher one-off expenses incurred in 1Q 2016 and cost optimizations. BSI's expenses increased 28% mainly due to BSI's divestment related expenses and one-off legal costs in 2Q 2016 of approximately R$75 million. When compared to 2Q 2015, there was a 154% increase from R$227.4 million to R$574.5 million, and excluding BSI's impact a 16%, increase which is mainly attributable one-off professional fees in 2Q 2016.

## Goodwill amortization

In the 2Q 2016 we recorded amortization expenses totaling R$54.3 million, in connection with the goodwill from the acquisitions of Celfin and Bolsa y Renta. Goodwill amortization was in line with the 1Q 2016 and the 2Q 2015.

## Tax charges, other than income tax

Tax charges, other than income tax, were R$94.4 million, a 30% decrease when compared to 1Q 2016 as a smaller portion of our revenues were subject to tax charges in the period.

## Combined Adjusted Income Taxes

| Combined Adjusted Income Tax (unaudited) | Quarter | | | Year to Date | |
|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 | 6M 2015 | 6M 2016 |
| Income before taxes | 1,031 | 1,798 | 1,017 | 2,201 | 2,815 |
| Income tax and social contribution | (8) | (727) | (77) | (324) | (804) |
| **Effective income tax rate** | **0.7%** | **40.4%** | **7.5%** | **14.7%** | **28.5%** |

Our effective income tax rate was 7.5% (representing an expense of R$76.5 million) mainly due to (i) computation of interest on equity (JCP) in 2Q 2016 in the amount of R$500.0 million and (ii)a more favorable revenues mix, with proportionally less revenues subject to corporate tax in the period. Our effective income tax rate was 40.4% (an expense of R$727.1 million) in the 1Q 2016, and 7.5% (an expense of R$76.5 million) in the 2Q 2015.

## Balance Sheet

In this quarter, our balance sheet further deleveraged. Our total assets decreased 9%, from R$234.5 billion at the end of 1Q 2016 to R$213.3 billion at the end of 2Q 2016, with main impact on our credit portfolio. Our cash and cash equivalents were down mainly due to redemptions in BSI, together with the appreciation of the Real in relation to the Swiss Franc and the U.S. Dollar. Also, our assets financed through repos increased to R$17.3 billion from R$ 12.2 billion in the 1Q 2016. After these movements our leverage ratio reduced to 9.1x.

On the liability side, there was a decrease in our unsecured funding, mainly in BSI deposits, also impacted by Real appreciation against Swiss Franc and US Dollar and pre-payment of additional R$2.6 billion of the R$6 billion credit line from FGC – as of 2Q 2016 the outstanding amount of such line was R$1.8 billion. This was partially offset by an increase on our repo financing in line with the increase in our assets financed through repo as mentioned above. Our shareholders' equity increased 1.5%, from R$23.2 billion at the end of 1Q 2016 to R$23.5 billion at the end of 2Q 2016, mainly due to net income of R$940.3 million for quarter ended June 30, 2016, partially offset by R$ 500 million of interest on net equity and the negative impact of R$55 million of other comprehensive income.

## Risk and Capital Management

There were no significant changes in the risk and capital management framework in the quarter.

## Market Risk – Value-at-risk[2]

| Value-at-risk (unaudited) | Quarter | | |
|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 |
| **Total average daily VaR** | **116.7** | **264.5** | **223.8** |
| Average daily VaR as a % of average equity | 0.60% | 1.16% | 0.96% |

Our total average daily VaR as a percentage of our average shareholders' equity decreased when compared to 1Q 2016. The decrease in the average daily VaR was mainly due to decrease in FX market risk exposure. Our market risk exposure to equities remained at relatively low levels.

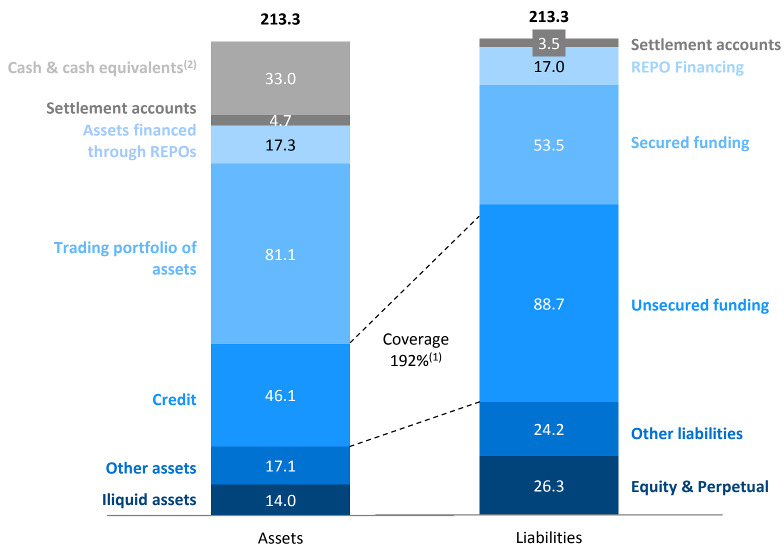
[2] *Incudes BSI's VaR since September 15th 2015*

## Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of June 30, 2016:

**Summarized Balance Sheet (unaudited)**

*(in R$ billion)*




*Note:*

*(1) Excludes demand deposits from BTG Pactual stand alone*

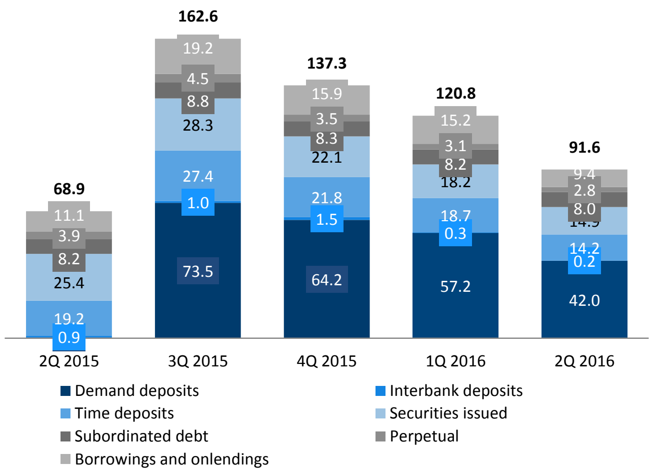
*(2) Includes high quality liquid assets*

## Unsecured Funding Analysis

The chart below summarizes the composition of our unsecured funding base evolution:

**Unsecured Funding Evolution (unaudited)**

*(in R$ billion)*




Our total unsecured funding decreased 24%, from R$120.8 billion in 1Q 2016 to R$91.6 billion in 2Q 2016, mainly impacted by Real appreciation in relation to CHF and USD and redemptions in BSI's demand deposits. Besides that, there was a reduction in securities issued by BTG Pactual and the pre-payment of R$2.6 billion of the R$6 billion credit line from FGC.

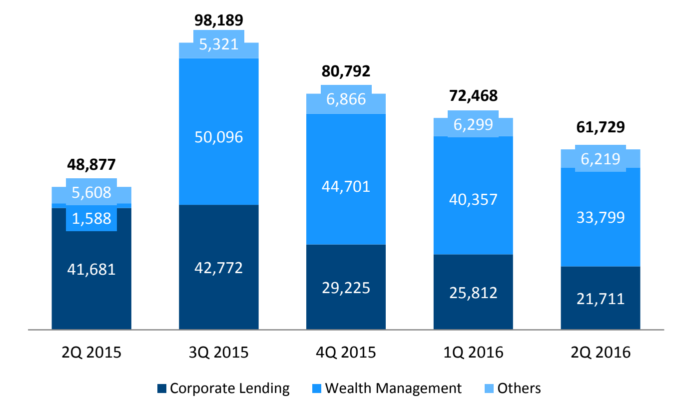
## BTG Pactual Broader Credit Portfolio

Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

At quarter end, the balance of our broader credit portfolio decreased R$10.7 billion, from R$72.5 billion in 1Q 2016 to R$61.7 billion in 2Q 2016. The decrease was mainly a consequence of (i) sales, prepayment transactions, and credit amortizations performed in the quarter to strengthen our liquidity levels and (ii) an approximately CHF600 million decrease in BSI's credit portfolio, driven by weaker client demand for financing in the period and (iii) Real appreciation in the period, against CHF and USD, where most of our foreign currency exposure is concentrated, which consequently reduced our foreign credit exposure.

**Broader Credit Portfolio Breakdown By Area**

*(in R$ million)*



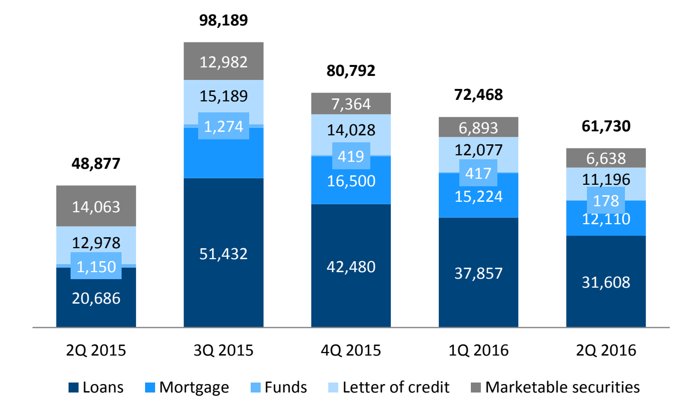

*Notes:*

*(1) Others: includes interbank deposits, Merchant Banking structured transactions and others*

*(2) Wealth Management impacts WM results, others impacts Sales & Trading and Merchant Banking results*

**Broader Credit Portfolio By Product[1]**

*(in R$ million)*

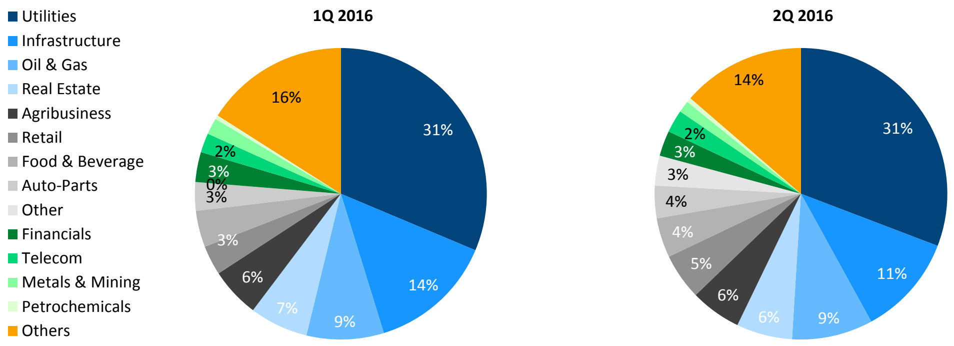



*Notes:*

*(1) Mortgages are related to BSI only*

## Corporate Lending & Others Portfolio By Industry

*(% of total in values)*

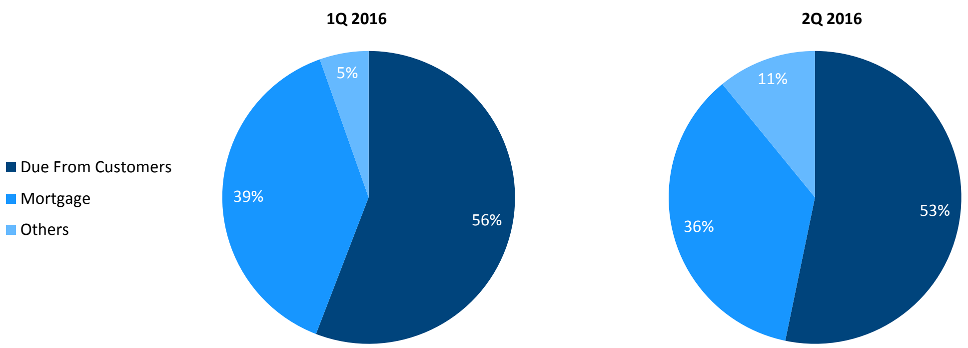



*Notes:*

*(1) On 1Q 2016 we updated our industry classification which might have altered individual classifications*

## Wealth Management Portfolio By Product

*(% of total in values)*



## Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of June 30, 2016. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

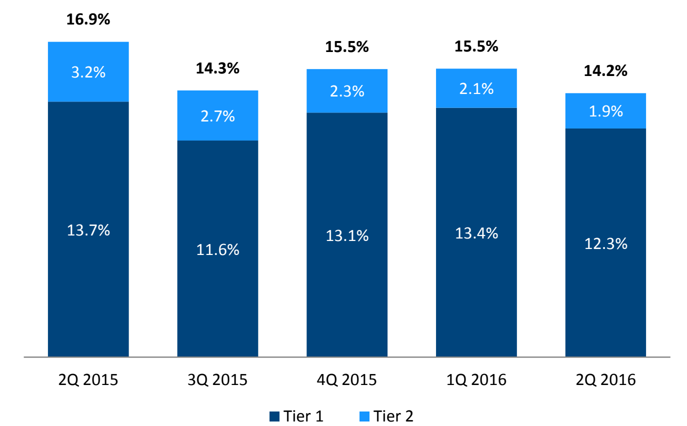
| Rating (unaudited) (in R$ million) | 2Q 2016 |
|---|---|
| AA | 40,773 |
| A | 9,435 |
| B | 4,220 |
| C | 2,828 |
| D | 2,770 |
| E | 920 |
| F | 217 |
| G | 41 |
| H | 527 |
| **Total** | **61,730** |

## Capital Management

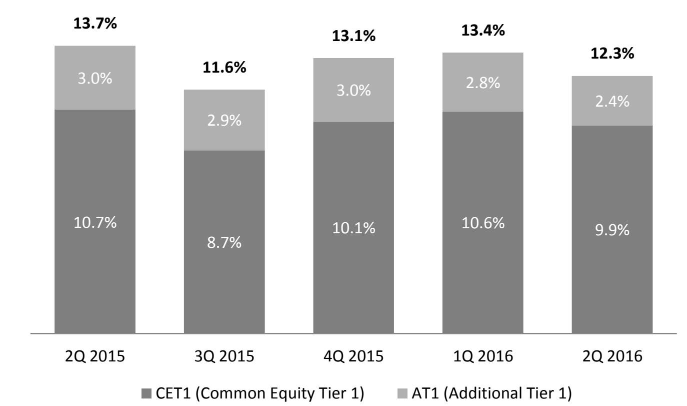
Banco BTG Pactual complies with standards of capital requirements established by the Brazilian Central Bank that are consistent to those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our Basel capital ratios, calculated in accordance with the Brazilian Central Bank standards and regulations, and are applicable only to Banco BTG Pactual.

The Basel ratio decreased to 14.2% at the end of 2Q 2016. The Basel index reflects an increase in risk weighted assets especially related to commodities partially compensated by a decrease in risk weighted assets concentrated in credit risk and foreign exchange coupon risk.

**Basel Ratio (unaudited)**
*(%)*




**Tier 1: CET1 & AT1 (unaudited)**
*(%)*



# Exhibits

## Basis for Presentation

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Combined Balance Sheet, which is prepared in accordance with Brazilian GAAP for Banco BTG Pactual S.A. and its subsidiaries and IFRS for BTGI Investments LP and its subsidiaries. Except where otherwise noted, the information concerning our results of operations presented in this document is based on our Combined Adjusted Income Statement, which represents a revenue breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs.

Our Combined Adjusted Income Statement is derived from the same accounting information used for preparing our Combined Income Statement in accordance with Brazilian GAAP and IFRS. The classification of the line items in our Combined Adjusted Income Statement is unaudited and materially differs from the classification and presentation of the corresponding line items in our Combined Income Statement. As explained in the notes to the Combined Financial Statements of BTG Pactual, our combined financial statements are presented with the exclusive purpose of providing, in a single set of financial statements and in one GAAP, information related to the operations of the Group and represents the combination of transactions from (i) Banco BTG Pactual S.A. and its subsidiaries, and (ii) BTG Investments LP and its subsidiaries.

## Key Performance Indicators (“KPIs”) and Ratios

The key performance indicators (KPIs) and ratios are monitored by management and pursued to be achieved across financial periods. Consequently, key indicators calculated based on annual results across financial periods may be more meaningful than quarterly results and results of any specific date. KPIs are calculated annually and adjusted, when necessary, as part of the strategic planning process and to reflect regulatory environment or significant adverse market conditions.

This section contains the basis for presentation and the calculation of selected KPIs and ratios presented in this report.

| KPIs and Ratios | Description |
|---|---|
| AuM and AuA | Assets under management and assets under administration consist of proprietary assets, third party assets, wealth management funds and/or joint investments managed or administrated among a variety of assets classes, including fixed income, equities, money market accounts, multi-market funds and private equity funds. |
| Cost to income ratio | It is computed by dividing the combined adjusted total operating expenses by combined adjusted total revenues. |
| Compensation ratio | It is computed by dividing the sum of combined adjusted bonus and salaries and benefits expenses by combined adjusted total revenues. |
| Effective income tax rate | It is computed by dividing the combined adjusted income tax and social contribution or (expense) by the combined adjusted income before taxes. |
| Net income per unit | Net income per unit for periods before 2Q 2012 represents the combined net income divided by total pro-forma number of units pre-offering. The total pro-forma number of units pre-offering considers the combined capital of Banco BTG Pactual and BTGP comprised solely of units. Each pro-forma unit is comprised of 3 different classes of shares of Banco BTG Pactual and BTGP, which is consistent with the units offered in the IPO of April 2012, and therefore the combined capital would be comprised of 800 million units. Net Income per unit for 2Q12 and the following periods, including 6M 2012, represents the combined quarter net income divided by total number of units in the end of such period (as of the end of 2Q 2016, the combined capital is comprised of 880 million units), which considers the outstanding units as of Aug 9th, 2016. This item is a non-GAAP measurement and may not be comparable to similar non-GAAP measures used by other companies. |

| KPIs and Ratios | Description |
|---|---|
| ROAE | Annualized ROE for the periods are computed by dividing annualized combined net income by the combined average shareholders' equity. We determine the average shareholders' equity based on the initial and final net equity for the quarter. |
| VaR | The VaR numbers reported are calculated on a one-day time horizon, a 95.0% confidence level and a one-year look-back window. A 95.0% confidence level means that there is a 1 in 20 chance that daily trading net revenues will fall below the VaR estimated. Thus, shortfalls from expected trading net revenues on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts and they can also occur more frequently or accumulate over a longer time horizon, such as a number of consecutive trading days. Given its reliance on historical data, the accuracy of VaR is limited in its ability to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions can produce materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. "Stress Test" modeling is used as a complement of VaR in the daily risk management activities. |
| WuM | Wealth under management consists of private wealth clients' assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and merchant banking funds. A portion of our WuM is also allocated to our AuM to the extent that our wealth management clients invest in our asset management products. |
| Leverage Ratio | Leverage Ratio is computed by dividing the total assets by the combined shareholders' equity. |

## Selected Combined Financial Data

| Balance Sheet (unaudited) *(in R$ million, unless otherwise stated)* | Quarter | | | 2Q 2016 % change to | |
|---|---|---|---|---|---|
| | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 |
| **Assets** | | | | | |
| Cash and bank deposits | 1,766 | 19,602 | 12,809 | 625% | -35% |
| Interbank investments | 41,567 | 28,650 | 34,488 | -17% | 20% |
| Marketable securities and derivatives | 101,247 | 74,290 | 70,625 | -30% | -5% |
| Interbank transactions | 1,292 | 1,856 | 1,960 | 52% | 6% |
| Loans | 18,516 | 52,586 | 42,748 | 131% | -19% |
| Other receivables | 34,785 | 48,941 | 42,893 | 23% | -12% |
| Other assets | 188 | 239 | 266 | 41% | 11% |
| Permanent assets | 9,684 | 8,322 | 7,528 | -22% | -10% |
| **Total assets** | **209,045** | **234,486** | **213,315** | **2%** | **-9%** |
| | | | | | |
| **Liabilities** | | | | | |
| Deposits | 15,826 | 75,286 | 55,073 | 248% | -27% |
| Open market funding | 62,354 | 17,452 | 22,493 | -64% | 29% |
| Funds from securities issued and accepted | 26,096 | 18,856 | 15,486 | -41% | -18% |
| Interbank transactions | 9 | 7 | 6 | -32% | -18% |
| Loans and onlendings | 11,097 | 16,180 | 13,983 | 26% | -14% |
| Derivatives | 38,952 | 30,716 | 31,055 | -20% | 1% |
| Subordinated liabilities | 12,049 | 8,167 | 8,044 | -33% | -2% |
| Other liabilities | 22,030 | 44,313 | 43,355 | 97% | -2% |
| Deferred income | 186 | 175 | 146 | -22% | -17% |
| **Shareholders'equity** | **19,754** | **23,176** | **23,527** | **19%** | **2%** |
| Non-controlling interest | 692 | 158 | 146 | -79% | -7% |
| **Total liabilities** | **209,045** | **234,486** | **213,315** | **2%** | **-9%** |

| Combined Adjusted Income Statement (unaudited) | Quarter | | | 2Q 2016 % change to | | Year to Date | | 6M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2015 | 1Q 2016 | 2Q 2016 | 2Q 2015 | 1Q 2016 | 6M 2015 | 6M 2016 | 6M 2015 |
| Investment Banking | 162 | 62 | 80 | -51% | 29% | 203 | 142 | -30% |
| Corporate Lending | 302 | 206 | 276 | -9% | 34% | 619 | 482 | -22% |
| Sales & Trading | 313 | 1,955 | 1,147 | 267% | -41% | 1,481 | 3,102 | 109% |
| Asset Management | 269 | 182 | 130 | -52% | -29% | 540 | 312 | -42% |
| Wealth Management | 113 | 1,228 | 564 | 401% | -54% | 222 | 1,792 | 708% |
| Principal Investments | 508 | (519) | (211) | n.a. | n.a. | 64 | (729) | n.a. |
| Pan | 3 | (40) | (46) | n.a. | n.a. | (22) | (86) | n.a. |
| Interest & Others | 377 | 537 | 655 | 74% | 22% | 901 | 1,193 | 32% |
| **Total revenues** | **2,047** | **3,612** | **2,595** | **27%** | **-28%** | **4,008** | **6,207** | **55%** |
| Bonus | (394) | (502) | (354) | -10% | -29% | (566) | (856) | 51% |
| Salaries and benefits | (228) | (569) | (500) | 120% | -12% | (443) | (1,069) | 141% |
| Administrative and other | (227) | (554) | (574) | 153% | 4% | (466) | (1,128) | 142% |
| Goodwill amortization | (50) | (55) | (54) | 8% | -1% | (97) | (109) | 13% |
| Tax charges, other than income tax | (116) | (134) | (94) | -19% | -30% | (235) | (229) | -3% |
| **Total operating expenses** | **(1,016)** | **(1,814)** | **(1,578)** | **55%** | **-13%** | **(1,806)** | **(3,392)** | **88%** |
| **Income before taxes** | **1,031** | **1,798** | **1,017** | **-1%** | **-43%** | **2,201** | **2,815** | **28%** |
| Income tax and social contribution | (8) | (727) | (77) | 918% | -89% | (324) | (804) | 148% |
| **Net Income** | **1,023** | **1,071** | **940** | **-8%** | **-12%** | **1,877** | **2,012** | **7%** |

## Selected Individual Financial Data

The information presented on the tables below is based on the consolidated financial statements of Banco BTG Pactual prepared in accordance with Brazilian GAAP ("BR GAAP") and BTG Investments LP ("BTGI"), a subsidiary of BTGP, prepared in accordance with International Financial Reporting Standards (IFRS):

| Balance Sheet (unaudited) *(in R$ million, unless otherwise stated)* | Banco BTG Pactual S.A. | | BTG Investments LP. | |
|---|---|---|---|---|
| | 1Q 2016 | 2Q 2016 | 1Q 2016 | 2Q 2016 |
| **Assets** | | | | |
| Cash and bank deposits | 19,601 | 12,808 | 228 | 102 |
| Interbank investments | 28,650 | 34,488 | - | - |
| Marketable securities and derivatives | 65,912 | 63,166 | 10,296 | 9,328 |
| Interbank transactions | 1,856 | 1,960 | - | - |
| Loans | 50,221 | 40,319 | 2,365 | 2,429 |
| Other receivables | 48,929 | 42,886 | 12 | 7 |
| Other assets | 239 | 266 | - | - |
| Permanent asset | 8,322 | 7,528 | - | - |
| **Total assets** | **223,729** | **203,420** | **12,901** | **11,867** |
| | | | | |
| **Liabilities** | | | | |
| Deposits | 75,513 | 55,175 | - | - |
| Open market funding | 17,452 | 22,493 | - | - |
| Funds from securities issued and accepted | 17,058 | 13,994 | 2,863 | 2,460 |
| Interbank transactions | 7 | 6 | - | - |
| Loans and onlendings | 8,293 | 6,709 | 7,887 | 7,274 |
| Derivatives | 30,692 | 31,055 | 24 | 10 |
| Subordinated liabilities | 8,167 | 8,044 | - | - |
| Other liabilities | 45,813 | 44,769 | 25 | 0 |
| Deferred income | 175 | 146 | - | - |
| **Shareholders' equity** | **20,401** | **20,882** | **2,102** | **2,123** |
| Non-controlling interest | 158 | 146 | - | - |
| **Total liabilities** | **223,729** | **203,420** | **12,901** | **11,867** |

| Income Statement (unaudited) *(in R$ million, unless otherwise stated)* | Banco BTG Pactual S.A. | | BTG Investments LP. | |
|---|---|---|---|---|
| | 1Q 2016 | 2Q 2016 | 1Q 2016 | 2Q 2016 |
| Financial income | 4,545 | 3,834 | 317 | 8 |
| Financial expenses | (1,749) | (921) | (96) | (94) |
| **Gross financial income** | **2,796** | **2,913** | **221** | **(86)** |
| Other operating income (expenses) | (1,242) | (1,019) | 8 | 5 |
| **Operating income** | **1,554** | **1,894** | **229** | **(81)** |
| Non-operating income/(expenses) | 441 | 44 | - | - |
| **Income before taxes and profit sharing** | **1,995** | **1,938** | **229** | **(81)** |
| Income and social contribution taxes | (596) | (608) | - | - |
| Statutory profit sharing | (396) | (334) | - | - |
| Non-controlling interest | **6** | **8** | **-** | **-** |
| **Net income** | **1,009** | **1,003** | **229** | **(81)** |

The table below presents the consolidation adjustments, IFRS adjustments and effects of the reclassification of the net exposure to US Dollar (conversion adjustment) from the combined income statement to the shareholders' equity in order to eliminate gain and losses resulting from the conversion process of the consolidated financial statements of BTGI, as it is explained in the notes to the Combined Financial Statements of BTG Pactual.

| Reconciliation (unaudited) *(in R$ million, unless otherwise stated)* | Balance Sheet | | Income Statement | |
|---|---|---|---|---|
| | 1Q 2016 | 2Q 2016 | 1Q 2016 | 2Q 2016 |
| Banco BTG Pactual - BR GAAP | 223,729 | 203,420 | 1,009 | 1,003 |
| BTG Investments - IFRS | 12,901 | 11,867 | 229 | (81) |
| Total | 236,630 | 215,287 | 1,238 | 922 |
| Conversion adjustments from IFRS to BR GAAP | - | - | (9) | (16) |
| Consolidation and conversion adjustments | (2,145) | (1,971) | (158) | 34 |
| **Combined balances** | **234,486** | **213,315** | **1,071** | **940** |

## Selected Presentation Differences

The table presents a summary of certain material differences between the Combined Adjusted Income Statement and the Combined Income Statement prepared in accordance to the BR GAAP:

| | Combined Adjusted Income Statement | Combined Income Statement |
|---|---|---|
| Revenues | • Revenues segregated by business unit, which is the functional view used by our management to monitor our performance<br>• Each transaction allocated to a business unit, and the associated revenue, net of transaction and funding costs (when applicable), is reported as generated by such business unit | • Revenues are presented in accordance with BRGAAP and standards established by COSIF<br>• Segregation of revenues follows the contractual nature of the transactions and is aligned with the classification of the assets and liabilities - from which such revenues are derived<br>• Revenues are presented without deduction of corresponding financial or transaction costs |
| Expenses | • Revenues are net of certain expenses, such as trading losses, as well as transaction costs and funding costs<br>• Revenues are net of cost of funding of our net equity (recorded at "interest & others")<br>• SG&A expenses incurred to support our operations are presented separately | • Breakdown of expenses in accordance with COSIF<br>• Financial expenses and trading losses presented as separate line items and not deducted from the financial revenues with which they are associated<br>• Transactions costs are capitalized as part of the acquisition cost of assets and liabilities in our inventory<br>• SG&A expenses incurred to support our operations are presented separately in our combined income statement |
| Principal Investments Revenues | • Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations<br>• Revenues are reduced by associated transaction costs and by management and performance fees paid | • Revenues included in different revenue line items (marketable securities, derivative financial income and equity pick-up up from subsidiaries)<br>• Losses, including trading losses and derivative expenses, presented as financial expenses |
| Sales & Trading Revenues | • Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations<br>• Revenues deducted from transaction costs | • Revenues included in numerous revenue line items (marketable securities, derivative financial income, foreign exchange and compulsory investments)<br>• Losses, including trading losses, derivative expenses and funding and borrowings costs, presented as financial expenses |
| Corporate Lending Revenues | • Revenues net of funding costs (including cost of net equity) | • Revenues included in certain revenue line items (credit operations, marketable securities and derivative financial income)<br>• Losses, including derivative expenses, presented as financial expenses |
| Banco Pan Revenues | • Revenues consist of the equity pick-up from our investment, presented net of funding costs (including cost of net equity) | • Revenues from equity pick-up recorded as equity pickup from subsidiaries |
| Salaries and Benefits | • Salaries and benefits include compensation expenses and social security contributions | • Generally recorded as personnel expenses |
| Bonus | • Bonus include cash profit-sharing plan expenses (% of our net revenues) | • Generally recorded as employees' statutory profit-sharing |
| Administrative and Other | • Administrative and Others are consulting fees, offices, IT, travel and entertainment expenses, as well as other general expenses | • Generally recorded as other administrative expenses, and other operating expenses |
| Goodwill amortization | • Goodwill amortization of investments in operating subsidiaries other than merchant banking investments | • Generally recorded as other operating expenses |
| Tax charges, other than income tax | • Tax expenses are comprised of taxes applicable to our revenues not considered by us as transaction costs due to their nature (PIS, Cofins and ISS) | • Generally recorded as tax charges other than income taxes |
| Income tax and social contribution | • Income tax and other taxes applicable to net profits | • Generally recorded as income tax and social contribution |

The differences discussed above are not exhaustive and should not be construed as a reconciliation of the Combined Adjusted income statement to the combined income statement or combined financial statements. The business units presented in the Combined Adjusted income statement should not be presumed to be operating segments under IFRS because our management does not solely rely on such information for decision making purposes. Accordingly, the Combined Adjusted income statement contains data about the business, operating and financial results that are not directly comparable to the combined income statement or the combined financial statements and should not be considered in isolation or as an alternative to such combined income statement or combined financial statements. In addition, although our management believes that the Combined Adjusted income statement is useful for evaluating our performance; the Combined Adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles.

## Forward-looking statements

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result you should not make any investment decision on the basis of the forward-looking statements contained herein.

## Rounding

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.

## Glossary

| | |
|---|---|
| Alternext | Alternext Amsterdam |
| BM&FBOVESPA | The São Paulo Stock Exchange (BM&FBOVESPA S.A. – *Bolsa de Valores, Mercadorias e Futuros*). |
| BR Properties | BR Properties S.A. |
| CMN | The Brazilian National Monetary Council (Conselho Monetário Nacional). |
| ECB LTRO | European central Bank Long-term repo operation. |
| ECM | Equity Capital Markets. |
| Euronext | NYSE Euronext Amsterdam |
| HNWI | High net worth individuals |
| IPCA | The inflation rate is the Consumer Price Index, as calculated by the IBGE. |
| M&A | Mergers and Acquisitions. |
| NNM | Net New Money |
| GDP | Gross Domestic Product. |
| Selic | The benchmark interest rate payable to holders of some securities issued by the Brazilian government. |

# Earnings Release - Second Quarter 2016

*August 9th, 2016 (after market closes)*

**English Conference Call**
**August 10, 2016 (Wednesday)**
12:00 AM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 16/09: +1 (412) 317-0088

Code: 10089074

**Portuguese Conference Call**
**August 10, 2016 (Wednesday)**
10:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 2188-0155 /+55 (11) 3183-8000

Code: BTG Pactual

Replay until 16/08: +55 (11) 2188-0400

Code: BTG Pactual

**Webcast:** The conference calls audio will be live broadcasted, through a webcast system available on our website www.btgpactual.com/ir

*Participants are requested to connect 15 minutes prior to the time set for the conference calls.*

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