# BTG Pactual – Earnings Release

## Third Quarter 2016

*November 08, 2016*

## Highlights

Rio de Janeiro, Brazil, November 08th, 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$1,526.4 million and combined net income of R$660.8 million for the quarter ended September 30, 2016.

Net income per unit, and annualized return on average shareholders' equity (ROAE) of BTG Pactual, were R$0.71 and 11.2%, respectively, for the quarter ended September 30, 2016.

As of September 30, 2016, total assets for BTG Pactual were R$128.6 billion, a 40% decrease when compared to June 30, 2016 The BIS capital ratio for Banco BTG Pactual was 16.4%.

### Sale and Deconsolidation of BSI; Segregation and Deconsolidation of Commodities Division

Due to the completion of the segregation of our commodities division, Engelhart CTP ("ECTP"), on October 13th, 2016, and the sale of BSI Bank ("BSI"), on October 31st, 2016, BTG Pactual is presenting its Financial Statements with both entities deconsolidated. If we exclude their financial results, BTG Pactual would report combined adjusted total revenues of R$1,563.1 million, combined net income of R$920.9 million, net income p/ unit of R$0.99, annualized return on average shareholders' equity (ROAE) of 20.0%, and BIS capital ratio of 20.1%.

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

| Highlights and KPIs (unaudited) | Quarter | | | Year to Date | |
|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 3Q 2015 | 2Q 2016 | 3Q 2016 | 9M 2015 | 9M 2016 |
| Total revenues | 2,560 | 2,595 | 1,526 | 6,568 | 7,733 |
| Operating expenses | (1,371) | (1,578) | (861) | (3,178) | (4,253) |
| Of which fixed compensation | (364) | (500) | (437) | (807) | (1,506) |
| Of which variable compensation | (520) | (354) | 147 | (1,086) | (709) |
| Of which non compensation | (487) | (723) | (571) | (1,285) | (2,037) |
| **Net income** | **1,510** | **940** | **661** | **3,387** | **2,672** |
| Net income per unit (R$) | 1.61 | 1.07 | 0.71 | 3.68 | 2.97 |
| **Annualized ROAE** | **28.8%** | **16.1%** | **11.2%** | **22.1%** | **15.4%** |
| Cost to income ratio | 54% | 61% | 56% | 48% | 55% |
| **Shareholders' equity** | **22,119** | **23,527** | **23,876** | | |
| BIS Capital Ratio (Banco BTG Pactual only) | 14.3% | 14.2% | 16.4% | | |
| Total assets (in R$ Billion) | 302.8 | 213.3 | 128.6 | | |
| AuM and AuA (in R$ Billion) | 230.5 | 118.4 | 115.9 | | |
| WuM (in R$ Billion) | 422.5 | 310.0 | 295.3 | | |

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

BTG Pactual

## Performance

For 3Q 2016, we achieved an annualized ROAE of 11.2% and net income of R$660.8 million. In the quarter, revenues were down 41% and net income decreased 30%, when compared to 2Q 2016. When compared to 3Q 2015, revenues decreased 40% and net income decreased 56%, respectively. When excluding BSI and ECTPs[1] performance in the quarter, we would have achieved an annualized ROAE of 20.0% and net income of R$920.9 million, revenues would be up 34%, and net income 27% when compared to 2Q 2016.

During 3Q 2016, we delivered strong results in (i) Investment Banking, especially in M&A and ECM, (ii) Sales & Trading, in equities and FX, offset by the negative performance of ECTP, (iii) Corporate Lending, with stable spreads and adequate levels of provision, and (iv) Principal Investments, due to the appreciation in the value of investments.

Our operating expenses reached R$861.3 million, a 45% decrease when compared to 2Q 2016, mainly attributable to (i) lower bonus expenses, in consonance with the decrease in revenues especially in ECTP and (ii) lower salaries and benefits and administrative expenses, as a result of the cost reduction initiatives concluded in the 2Q 2016. Consequently, in the quarter our cost to income ratio was 56.4% and our compensation ratio was 19.0%. When excluding BSI and ECTP, such ratios would have been 37.6% and 17.0%, respectively.

As a result, our net income reached R$660.8 million in 3Q 2016, down 30% when compared to 2Q 2016 and 56% when compared to 3Q 2015. In the quarter, our effective income tax rate was 0.6%. When excluding BSI and ECTP, net income would have reached R$920.9 million, a 27% increase when compared to 2Q 2016, 19% down when compared to 3Q 2015.

Our shareholders' equity grew 1% from R$23,5 billion at the end of 2Q 2016 to R$23,9 billion at the end of 3Q 2016. When compared to the end of 3Q 2015, our shareholders' equity grew 8%. Basel index for Banco BTG Pactual was 16.4% in the quarter, 20.1%[2] when adjusted for the effects of BSI's and ECTP's transactions.

BTG Pactual's AuM and AuA ended 3Q 2016 at R$115.9 billion, stable when compared to end of 2Q 2016, and WuM for BTG Pactual Stand-Alone ended the period at R$70.4 billion, a 5% increase when compared to 2Q 2016.

"3Q 2016 and its subsequent events, marks the conclusion of our strategic repositioning. Following other important measures adopted we have (i) fully repaid the assistance line obtained from FGC, (ii) concluded and liquidated the sale of BSI to EFG, (iii) concluded the distribution and deconsolidation of our commodities division, (iv) concluded the implementation of significant cost reduction initiatives, (v) distributed the previously announced R$500 million dividends to our shareholders and (vi) had an upgrade in our rating. We have delivered all the necessary steps and are now operating on a foundation of extremely strong financial indicators (adjusted Basel ratio of 20.1%, 6x leverage ratio, which we will maintain for the foreseeable future. We are optimistic with the economic prospects for the LatAm region in 2017, and we believe we are well positioned to continue to play our role as the lead investment bank in the region.", said Persio Arida.

[1] Includes ECTP Impacts in Banco BTG Pactual S.A., such as hedging instruments and additional income tax and other applicable managerial adjustments

[2] Estimated taking into effects of the deconsolidation of BSI and ECTP and recognizing BTG Pactual's remaining interest as permanent investment

## Adjusted BBTG11 Book Value Gain

BTG Pactual shareholders had significant book value per share gain in 3Q 2016, arising from the completion of the ECTP transaction through which BTG Pactual retained a 36% stake in ECTP (on a fully diluted basis). Taking into consideration that (i) the reference date for the transaction was March 31st 2016 allied to the fact that (ii) BTG Pactual ex ECTP performed well in the period, the negative results from ECTP in 3Q 2016 did not affect the unit holders in full. Consequently, the effects from the ECTP transaction as of September 30th 2016 generated an additional 0.58 per unit gain, implicit per share annualized return would have been 23.9% in 3Q 2016 as illustrated in the table below.

| | 2Q 2016 | 3Q 2016 | ECTP Transaction Effects(1) | Final 3Q 2016 |
|---|---|---|---|---|
| Shareholders' equity (R$ mm)(2) | 23,527 | 23,873 | (3,141) | **20,731** |
| Total number of theoretical units (# mm)(3),(4),(5) | 1,116 | 1,095 | (169) | **926** |
| Book value p/unit (R$) | 21.08 | 21.81 | | **22.38** |
| Book value increase/(decrease) p/unit (R$) | | 0.72 | | **1.30** |
| Book value p/unit change over average book value p/unit (%)(6) | | 13.5% | | **23.9%** |
| Per unit excess gain due to ECTP distribution - BBTG11 (R$) | | | | **0.58** |
| Total implied equity gain - BBTG11 (R$ mm)(7) | | | | **535** |

*Note:*

*(1) ECTP transaction implemented in October 13, 2016, with reference book value of September 30, 2016*

*(2) ECTP's book value redeemed represents 64% stake, of which approximately 61% to BBTG11 shareholders and 3% remainder management equity grants*

*(3) Includes all bonus stock distributed (PNCs) as if all were converted in to new units. Reference total number of new units distributed in the ratio 0.26274220948987 to each existing unit, or 0.28280586628 new unit to each PNC distributed*

*(4) In the 3Q 2016, includes 16.4 million equivalent units canceled in the period*

*(5) ECTP transaction effects represents the unit equivalent PNCs exchanged in to ECTP, in the same conversion ratio as footnote (2) above*

*(6) Average book value p/unit of 2Q 2016 and 3Q 2016*

*(7) "Total number of theoretical units" multiplied by "Per unit excess gains due to ECTP distribution"*

## Relevant Events

On October 31st, BTG Pactual Group and EFG International concluded the BSI transaction where Banco received (i) CHF 575 million in cash, (ii) 86.2 million of EFG shares (30% stake in EFG-BSI) and (iii) CHF 31 million in perpetual bonds (AT1 instrument). Our interest in EFG will be considered relevant and accounted for using the equity pick up method.

On October 14th, BTG Pactual delivered ECTP's shares to those shareholders that elected to receive it as part of the segregation process. The segregation reduced the Bank's shareholders' equity in approximately R$3.1 billion and its interest in ECTP to approximately 36%. Still in October, ECTP acquired 4.3 % of its own interest owned by the Bank, for U$ 100 million. Both transactions were performed at book vale not affecting the Bank's income statement.

In 3Q 2016, we acquired 1.8 million units of BBTG11, and recognized gains in the amount of approximately R$46 million related to our notes and other liabilities acquired in the market, below par. On September 29th, BTG Pactual Group approved the cancelation of the treasury shares held and approved the acquisition of up to 17,5 million Units, in line with our buyback program.

On October 19th, BTG Pactual fully paid the financial assistance line obtained from Fundo Garantidor de Créditos – FGC on December 4th, 2015

## Global Market and Economic Analysis

The concerns about the exit of the UK from the European Union (Brexit) eased at the beginning of the third quarter as the markets realized that the process would take longer and the impact would be concentrated on the UK. The S&P500 index, for instance, rose 3% in Q3, mainly in August. The DAX rose 9%, given the proximity of Germany to the UK, and the Nikkei index rose 6%. In Brazil, the Ibovespa index rose 13%, in Chile, 3% and in Mexico, it was flat. The risky assets also benefited from the Federal Reserve's communication. Despite the perception of a small spillover from "Brexit" to the global economy, the Fed maintained its cautious approach regarding the interest rate hike, signaling only one rate hike in 2016, probably at the December meeting, and suggesting that the pace will remain very gradual next year.

On the rates market, the 10-year Treasury Yield posted a small increase on the back of the reduction of uncertainty. It rose 12 basis points to 1.59%. In Japan, the 10-year yield rose 13 basis points and in Germany, however, it declined 15 basis points, mainly in September due to the risks related to the banking sector. In Brazil, the DI contract expiring on January 25th declined another 59 basis points to 11.72% due to the approval of the spending cap measure which is necessary to stabilize the debt in the coming decade. In Chile, the 10-year swap rate declined 24 basis points and in Mexico, on the other hand, it rose 33 basis points due to the increase in risk premium related to the US election.

On the FX market, the DXY index posted a moderate decline of 0.7%. The highlight was the Mexican Peso, which depreciated 5.7% in Q3 due to the tightening of the US Presidential race. The BRL depreciated 1.5%. The YEN, on the other hand, appreciated 1.8% as the Bank of Japan failed to add more stimulus despite the perspective of lower inflation in the coming quarters and the EUR appreciated 1.2%. In October, however, the USD appreciated considerably (almost 3%) driven by the depreciation of the British Pound (-5.6%), which reflected the indication from the UK Prime Minister that Brexit process would start earlier than expected (in March 2017).

Going forward, the main event for the markets will be the US election, which takes place on November 8th

In Brazil, the spending cap bill has been already approved in two rounds in the Lower House. Expectations point to the conclusion of the process in the Senate by mid-December. Looking ahead, the government is expected to advance on a much-needed social security reform.

On the economic activity, after contracting for six consecutive quarters, GDP should post another drop in 3Q 2016. Recent activity indicators have disappointed, showing that output (industrial, services) hasn't rebounded. Although recent results definitely portray a still troubling scenario in 3Q, we keep expecting economic activity to gradually bounce back in the quarters to come. In fact, the monetary easing cycle, started in October, is welcome news for activity prospects, as well as the ongoing inventory adjustment cycle and the material improvement in confidence indicators (especially from the business segment).

On inflation, 12-month IPCA continued to head south, albeit a bit more slowly. That said, fundamentals continue to point to marked disinflation ahead, from 8.3% in the mid-month October print towards around 7% y/y by year-end. So, market consensus for 2016 inflation has declined to 6.9% y/y, while consensus for 2017 fell to 5%. Forecasts for longer horizons (2018 and beyond) are also now fully aligned to the target (4.5%).

On the external front, the rolling 12-month current account deficit totaled US$23.3bn (1.3% of GDP) in September, less than half of the FY15 print (-US$58.9bn). Going forward, we expect the current account correction to lose force, while the financial account is expected to improve as a result of government efforts to rapidly adjust the economic policy mix.

## Combined Adjusted Revenues

Revenues in 3Q 2016 decreased 41% when compared to 2Q 2016 and 40% when compared to 3Q 2015. When excluding impacts from BSI and ECTP performance, revenues would be up 34% when compared to 2Q 2016 and 17% when compared to 3Q 2015.

| Combined Adjusted Revenues (unaudited) | Quarter | | | 3Q 2016 % change to | | Year to Date | | 9M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 | 9M 2015 | 9M 2016 | 9M 2015 |
| Investment Banking | 66 | 80 | 110 | 67% | 38% | 269 | 252 | -6% |
| Corporate Lending | 237 | 276 | 218 | -8% | -21% | 857 | 700 | -18% |
| Sales & Trading | 1,444 | 1,147 | (416) | n.a. | n.a. | 2,925 | 2,685 | -8% |
| Asset Management | 327 | 130 | 114 | -65% | -12% | 867 | 426 | -51% |
| Wealth Management | 388 | 564 | 534 | 38% | -5% | 609 | 2,326 | 282% |
| Principal Investments | (469) | (211) | 273 | n.a. | n.a. | (405) | (456) | n.a. |
| Pan | 8 | (46) | (2) | n.a. | n.a. | (15) | (88) | n.a. |
| Interest & Others | 560 | 655 | 695 | 24% | 6% | 1,462 | 1,888 | 29% |
| **Total revenues** | **2,560** | **2,595** | **1,526** | **-40%** | **-41%** | **6,568** | **7,733** | **18%** |

## 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) | | |
|---|---|---|---|---|---|---|
| | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 | 3Q 2016 |
| Financial Advisory (M&A)(4) | 12 | 6 | 11 | 1,903 | 10,933 | 5,667 |
| Equity Underwriting (ECM) | - | - | 5 | - | - | 240 |
| Debt Underwriting (DCM) | 4 | 9 | 3 | 305 | 275 | 593 |

| BTG Pactual Announced Transactions (unaudited) | Number of Transactions(1),(3) | | Value(2),(3) (US$ mln) | |
|---|---|---|---|---|
| | 9M 2015 | 9M 2016 | 9M 2015 | 9M 2016 |
| Financial Advisory (M&A)(4) | 29 | 26 | 9,072 | 19,655 |
| Equity Underwriting (ECM) | 3 | 6 | 344 | 274 |
| Debt Underwriting (DCM) | 21 | 14 | 2,981 | 1,119 |

*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 9M 2016 market share highlights

M&A: #2 in number of transactions in Brazil and Latin America

ECM: #1 in number of transactions in Brazil and #2 in Latin America

## 3Q 2016 vs. 2Q 2016

Investment Banking revenues increased 38%, from R$79.9 million in 2Q 2016 to R$110.2 million in 3Q 2016. The increase was mainly attributable to (i) significant increase in Equity Underwriting as a result of higher market activity and (ii) higher Financial Advisory revenues in the quarter, where we continue to lead M&A markets across LatAm. In Debt Underwriting, our revenues decreased due to low market activity.

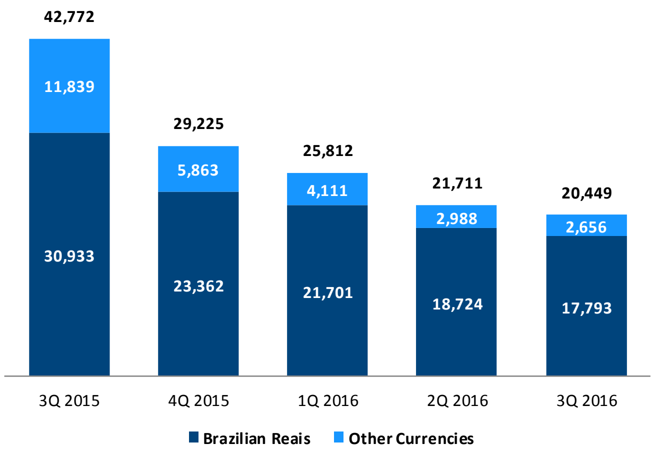
## 3Q 2016 vs. 3Q 2015

Revenues in the quarter increased 67% when compared to the same period of last year, primarily due to higher Financial Advisory revenues in 3Q 2016 given the closing of significant transactions in the period. ECM also posted higher revenues in 3Q 2016, due increased activity, as described above.

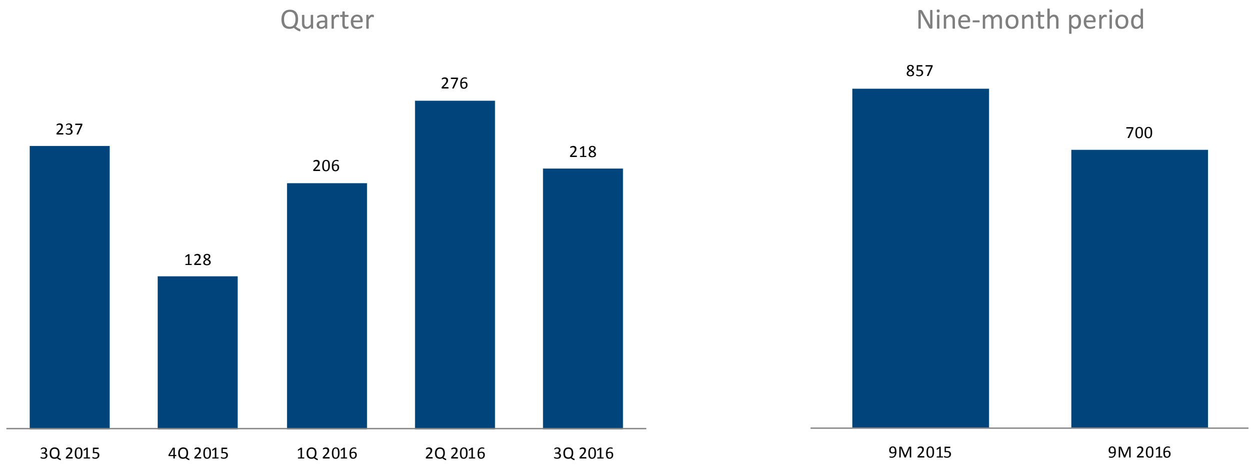
## Corporate Lending

At quarter end, our Corporate Lending book decreased 6%, mainly as a consequence of early prepayments of approximately R$1 billion. There was no significant credit line disbursed in the period.

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



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



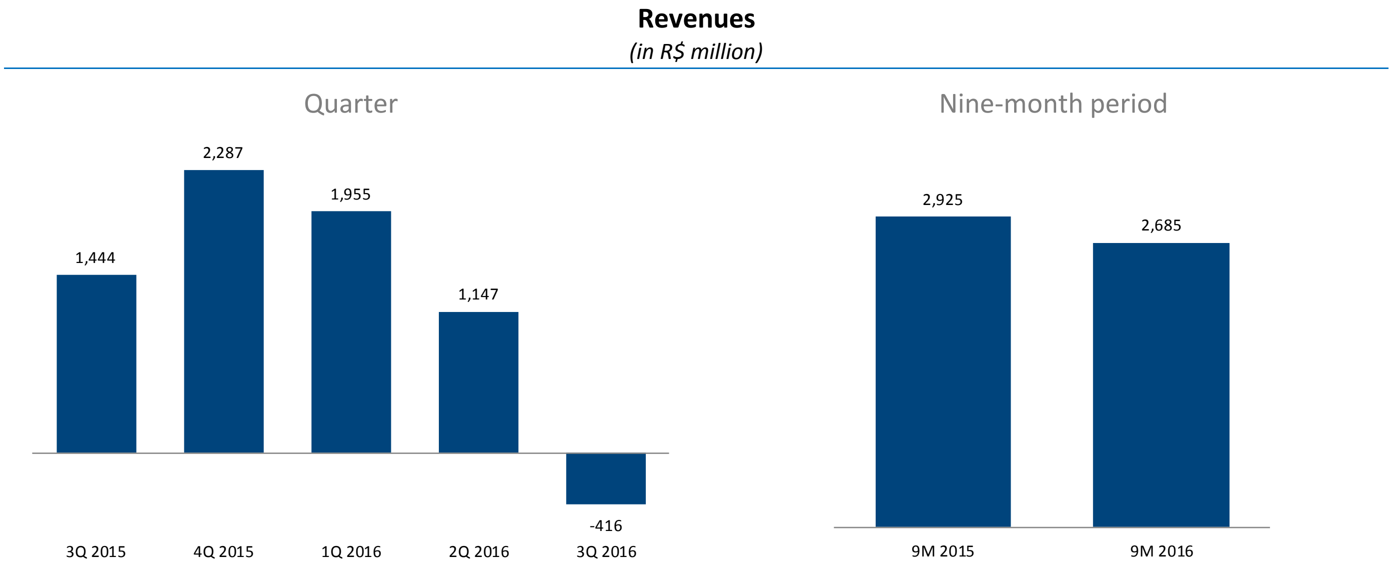

## 3Q 2016 vs. 2Q 2016

Revenues from Corporate Lending decreased 21% from R$275.8 million in 2Q 2016 to R$217.6 million in 3Q 2016, mainly impacted by a smaller contribution from credit recovery in our NPL portfolios. Not taking into account the NPL impact, our spreads continues to be in line with our historical average and credit quality / provisions remain intact.

## 3Q 2016 vs. 3Q 2015

Revenues from Corporate Lending decreased 8%, from R$237.2 million to R$217.6 million, mainly due to the 52% reduction of the corporate lending portfolio and lower revenues from credit recovery in our NPL portfolios. Revenue decrease was partially offset by lower expense on provisions in 3Q 2016.

## Sales & Trading




### 3Q 2016 vs. 2Q 2016

Sales & Trading revenues were negative R$416.3 million in 3Q 2016, as an effect of ECTP's under performance, excluding this effect, revenues would have been R$345.1 million. The results were mainly driven by the good performance of equities and FX desks, and when compared to the previous quarter, excluding ECTP's impact from both quarters, revenues would have decreased 16%, especially due to weaker revenue contribution from our rates and Brazil Energy desks.

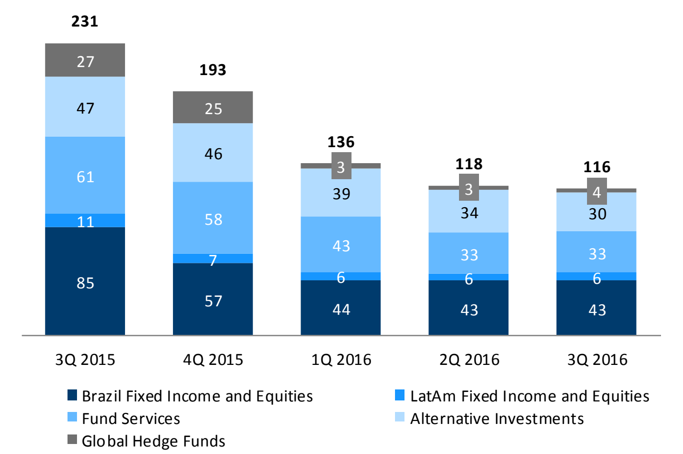
### 3Q 2016 vs. 3Q 2015

Sales & Trading revenues decreased from positive R$1,443.8 million to negative R$416.3 million. When excluding ECTP's contribution from both quarters, revenues would have decreased 50%, mainly attributable to strong performance from our Brazil Energy and FX desks, that had significant revenue contribution in 3Q 2015, partially compensated by stronger equities and rates desks in 3Q 2016.

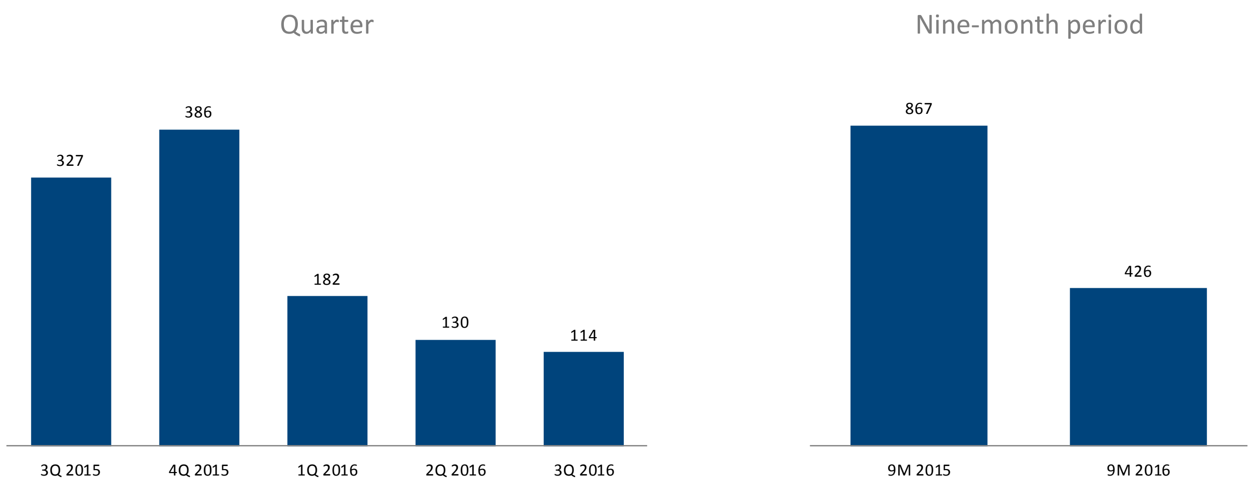
## Asset Management

At quarter end, our Assets under Management and Assets under Administration decreased R$2.5 billion, from R$118.4 billion in 2Q 2016 to R$115.9 billion in 3Q 2016. Net new money was negative R$6.6 billion in the quarter, of which R$6 billion are related to redemptions requests received in fund services and administration mostly related to alternative investments funds in January, that are still being processed as they require new vendors set up.

**AuM & AuA by Asset Class**
*(in R$ billion)*



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




### 3Q 2016 vs. 2Q 2016

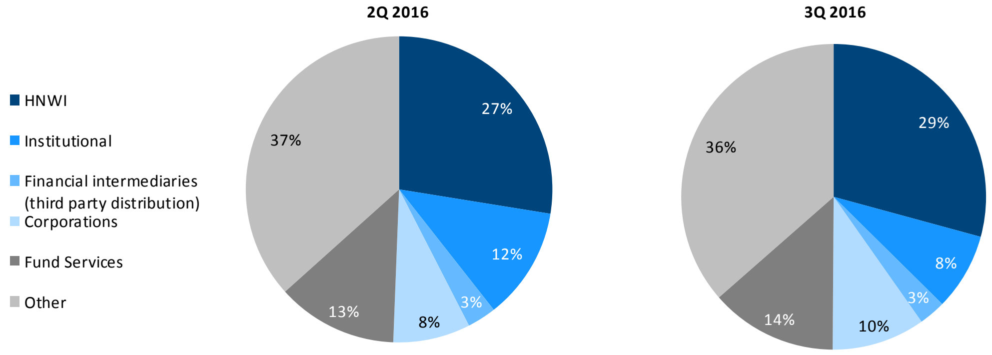
Asset Management revenues decreased 12% from R$129.8 million in 2Q 2016 to R$114.4 million in 3Q 2016. The decrease was mainly attributable to the reduction in the average AuM / AuA and a smaller amount of workdays in the period, which consequently represent less accrual days for management fees. Revenues in both quarters reflect mostly management fees.

### 3Q 2016 vs. 3Q 2015

Asset Management revenues decreased 65% from R$326.7 million in 3Q 2015 to R$114.4 million in 3Q 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**

*(%)*

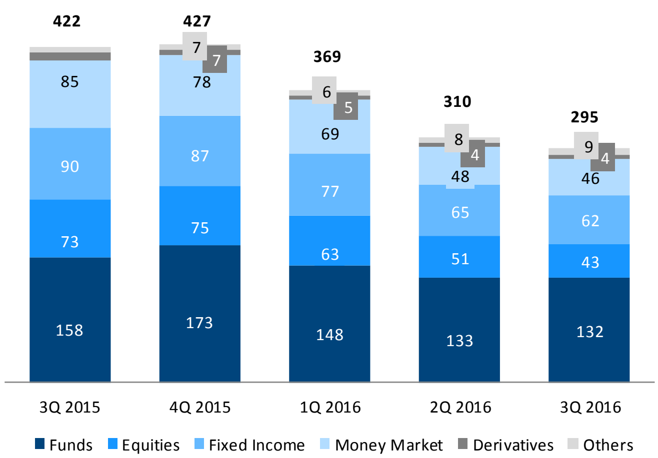


## Wealth Management

At quarter end, our Wealth under Management reduced 5% from R$310.0 billion in 2Q 2016 to R$295.3 billion in 3Q 2016. For BTG Pactual stand-alone WuM increased 5% in the quarter with positive NNM of R$1.6 billion. BSI's WuM reduction reflects mostly negative NNM of CHF 5.1 billion.

**WuM by Class of Asset**

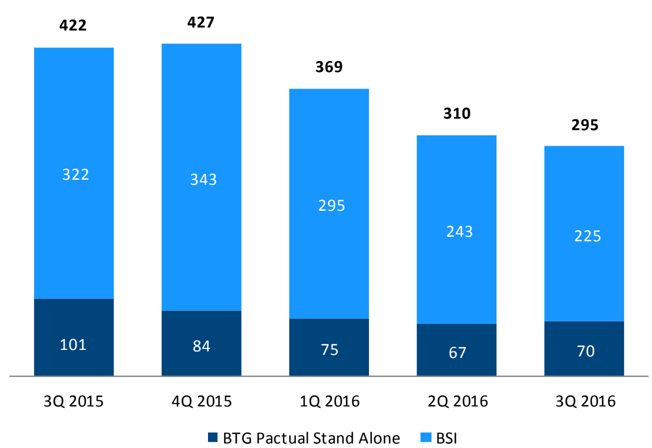
*(in R$ billion)*



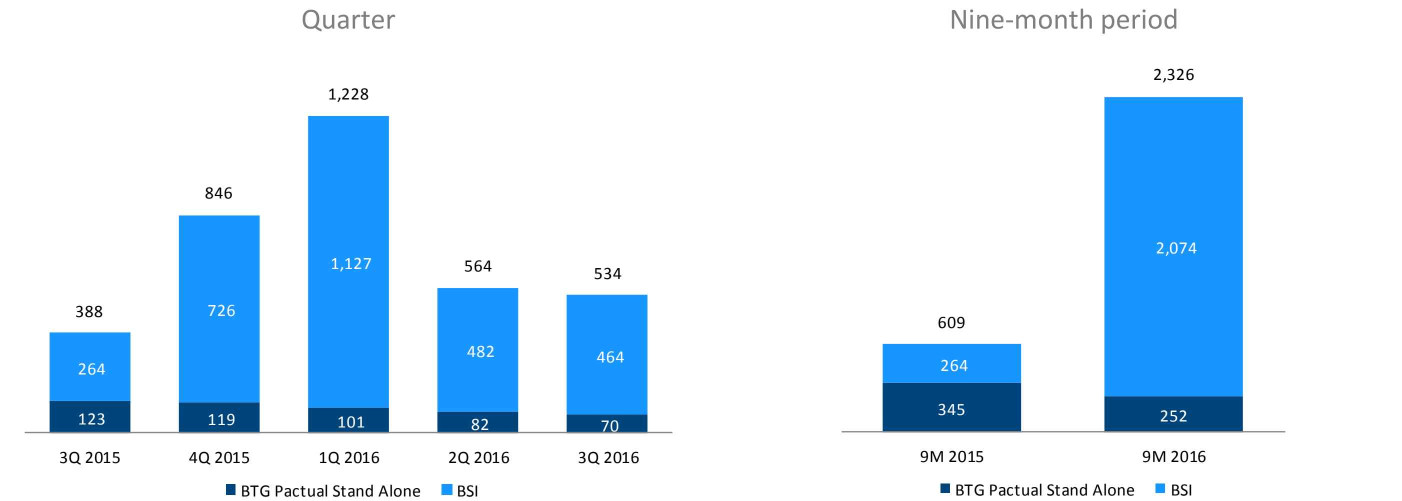

Note: BSI's WuM from 4Q 2015 on includes assets under custody

**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.*

## 3Q 2016 vs. 2Q 2016

Revenues from Wealth Management decreased 5% from R$563.8 million in 2Q 2016 to R$534.0 million in 3Q 2016. Revenue decrease reflects (i) lower revenues from BSI in line with the WuM reduction and (ii) lower revenues from BTG Pactual stand-alone, negatively impacted by one-off credit provision of R$8.6 million in the quarter and weaker trading volumes mostly due to the Olympics.

## 3Q 2016 vs. 3Q 2015

Revenues from Wealth Management increased 38%, from R$387.6 million to R$534.0 million. The increase was mainly due to the consolidation of BSI, which happened in September 2015. BTG Pactual stand-alone revenues decreased mainly due to the reduction in average WuM and the effects explained above.

## Principal Investments

| Principal Investments Revenues (preliminary and unaudited) | Quarter | | | 3Q 2016 % change to | | Full Year | | 9M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 | 9M 2015 | 9M 2016 | 9M 2015 |
| Global Markets | 62 | 5 | (27) | n.a. | n.a. | (84) | (205) | n.a. |
| Merchant Banking | (448) | (231) | 328 | n.a. | n.a. | (113) | (142) | n.a. |
| Real Estate | (83) | 16 | (28) | n.a. | n.a. | (208) | (109) | n.a. |
| **Total** | **(469)** | **(211)** | **273** | **n.a.** | **n.a.** | **(405)** | **(456)** | **n.a.** |

### 3Q 2016 vs. 2Q 2016

Principal Investments had gains of R$273.3 million in 3Q 2016, compared to losses of R$210.8 million in 2Q 2016.

In the quarter, Global Markets and Real Estate had marginal negative contribution mainly driven by internal funding cost allocation. In Merchant Banking, we recorded gains of R$328.4 million primarily driven by valuation adjustments in investment.

### 3Q 2016 vs. 3Q 2015

Revenues from Principal Investments varied from losses of R$469.0 million in 3Q 2015 to gains of R$273.3 million in 3Q 2016. The change reflects revenues in Merchant Banking, given valuation adjustment as explain above, compared to losses in the oil and gas portfolio, partially compensated by lower contribution from Global Markets in 3Q 2016.

## Pan

We report 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.

### 3Q 2016 vs. 2Q 2016

Revenues from Pan changed from negative R$46.2 million in 2Q 2016 to negative R$1.9 million in 3Q 2016. The negative contribution is composed of (i) R$5.2 million from our share of losses in Banco Pan, and (ii) a positive contribution of R$3.3 million from Pan Seguros and Pan Corretora, which is composed of R$9.2 million share of operational profits minus R$5.9 million goodwill amortization of such investments.

### 3Q 2016 vs. 3Q 2015

Pan had negative revenues of R$1.9 million in 3Q 2016, compared to gains of R$7.7 million in 3Q 2015.

## Interest & Others

### 3Q 2016 vs. 2Q 2016

Interest & Others revenues were R$695.2 million in 3Q 2016, compared to R$655.4 million in 2Q 2016. Revenues are composed of the average interest rate of the Central Bank of Brazil applied to our equity.

### 3Q 2016 vs. 3Q 2015

Revenues from Interest & Others increased 24% in the period, in line with the 9% growth of our shareholders' equity in the period and negative impact from certain hedging instruments in 3Q 2015.

## Combined Adjusted Operating Expenses

| Combined Adjusted Operating Expenses (unaudited) | Quarter | | | 3Q 2016 % change to | | Year to Date | | 9M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 | 9M 2015 | 9M 2016 | 9M 2015 |
| Bonus | (520) | (354) | 147 | -128% | -142% | (1,086) | (709) | -35% |
| Salaries and benefits | (364) | (500) | (437) | 20% | -13% | (807) | (1,506) | 87% |
| Administrative and other | (333) | (574) | (399) | 20% | -31% | (799) | (1,527) | 91% |
| Goodwill amortization | (56) | (54) | (50) | -11% | -8% | (152) | (159) | 4% |
| Tax charges, other than income tax | (99) | (94) | (123) | 24% | 30% | (334) | (351) | 5% |
| **Total operating expenses** | **(1,371)** | **(1,578)** | **(861)** | **-37%** | **-45%** | **(3,178)** | **(4,253)** | **34%** |
| Cost to income ratio | 54% | 61% | 56% | 5% | -7% | 48% | 55% | 14% |
| Compensation ratio | 35% | 33% | 19% | -45% | -42% | 29% | 29% | -1% |
| Total number of employees | 5,446 | 4,797 | 4,726 | -13% | -1% | 5,446 | 4,476 | -18% |
| Partners and associate partners | 241 | 189 | 234 | -3% | 24% | 241 | 234 | -3% |
| Employees[1] | 5,012 | 4,362 | 4,242 | -15% | -3% | 5,012 | 4,242 | -15% |
| Other | 193 | 246 | 250 | 30% | 2% | 193 | 250 | 30% |

| Operating Expenses Breakdown (unaudited) | BSI | | BTG Pactual (ex BSI) | | | | 9M 2016 % change to |
|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2016 | 3Q 2016 | 2Q 2016 | 3Q 2016 | 9M 2015 | 9M 2016 | 9M 2015 |
| Bonus | (65) | (16) | (289) | 163 | (1,053) | (530) | -50% |
| Salaries and benefits | (260) | (223) | (241) | (214) | (703) | (738) | 5% |
| Administrative and other | (312) | (153) | (263) | (246) | (730) | (816) | 12% |
| Goodwill amortization | - | - | (54) | (50) | (152) | (159) | 4% |
| Tax charges, other than income tax | (11) | (3) | (83) | (120) | (328) | (325) | -1% |
| **Total operating expenses** | **(647)** | **(394)** | **(931)** | **(467)** | **(2,967)** | **(2,567)** | **-13%** |
| Cost to income ratio | 134% | 85% | 44% | 44% | 47% | 45% | |
| Compensation ratio | 67% | 51% | 25% | 5% | 28% | 22% | |
| Total Employees (1,2) | 1,844 | 1,761 | 2,764 | 2,731 | | | |

*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 positive R$147.1 million in 3Q 2016, compared to negative R$354.3 in 2Q 2016 and R$520.5 in 3Q 2015. Bonus reversion happened in ECTP due to the significant under performance. Excluding BSI and ECTP's impact, bonus expense would have increased 56% when compared to 2Q 2016, from R$84.8 million to R$132.2 million and decreased 44% when compared to 3Q 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 13% when compared to 2Q 2016 and increased 20%, when compared to 3Q 2015. Expenses related to salaries and benefits were R$363.5 million in 3Q 2015 and R$500.5 million in 2Q 2016, compared to R$437.0 million in 3Q 2016. Excluding BSI's and ECTP impact, costs would have decreased 13% when compared to 2Q 2016 and 25% when compared to 3Q 2015, expenses related to salaries and benefits would have been R$178.1 million in 3Q 2015 and R$153.5 million in 2Q 2016, compared to R$133.2 million in 3Q 2016. In 2Q 2016 we successfully concluded our cost reduction initiatives.

## Administrative and other

Total administrative and other expenses decreased 31%, from R$574.5 million in 2Q 2016 to R$399.0 million in 3Q 2016; excluding BSI and ECTP impact expenses would have reduced 12%. BSI had higher expenses in 2Q 2016 mainly related to divestment process and one-off legal costs in 2Q 2016 of approximately R$75 million. When compared to 3Q 2015, there was a 20% increase from R$332.7 million to R$399.0 million, and excluding BSI and ECTP's impact a 12%, decrease. As mentioned above, in 2Q 2016 we have successfully implemented our cost reduction initiatives.

## Goodwill amortization

In the 3Q 2016 we recorded amortization expenses totaling R$49.7 million, in connection with the goodwill from the acquisitions of Celfin and Bolsa y Renta. Goodwill amortization was in line with the 2Q 2016 and the 3Q 2015.

## Tax charges, other than income tax

Tax charges, other than income tax, were R$122.8 million, a 30% increase when compared to 2Q 2016 as a greater 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)* | **3Q 2015** | **2Q 2016** | **3Q 2016** | **9M 2015** | **9M 2016** |
| Income before taxes | 1,189 | 1,017 | 665 | 3,390 | 3,480 |
| Income tax and social contribution | 321 | (77) | (4) | (3) | (808) |
| **Effective income tax rate** | **-27.0%** | **7.5%** | **0.6%** | **0.1%** | **23.2%** |

Our effective income tax rate was 0.6% (representing an income tax expense of R$4.3 million) mainly due to a more favorable revenues mix, with proportionally less revenues subject to corporate tax in the period. Our effective income tax rate was 7.5% (an expense of R$76.5 million) in the 2Q 2016, and 27.0% (a positive income tax of R$320.7 million) in the 3Q 2015.

## Balance Sheet

As previously mentioned, due to the completion of the distribution of ECTP, and the sale of BSI, we are presenting our balance sheets with both entities deconsolidated, which resulted in significant reduction in total assets from R$213.3bn to R$128.6bn, and consequently in our leverage ratio, from 9.07x to 5.4x (which would be 6.1x considering ECTP equity distribution). Deconsolidation of ECTP mostly reduced trading portfolio and other assets/liabilities, while deconsolidation of BSI mostly reduced cash, credit portfolio, on demand deposits and unsecured funding lines. Both impacted our illiquid assets portfolio since it is now presented as Investments in associates, including the stake distributed to shareholders. Excluding those impacts, our total assets remained stable.

Our shareholders' equity increased 1.5%, from R$23.5 billion at the end of 2Q 2016 to R$23.9 billion at the end of 3Q 2016, mainly due to net income of R$660.8 million for quarter ended September 30, 2016, partially offset by the negative impact of R$293.2 million from our stocks repurchase program, R$ 17.8 million from 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[3]

| Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)* | Quarter | | |
|---|---|---|---|
| | 3Q 2015 | 2Q 2016 | 3Q 2016 |
| **Total average daily VaR** | **140.1** | **223.8** | **134.1** |
| Average daily VaR as a % of average equity | 0.67% | 0.96% | 0.57% |

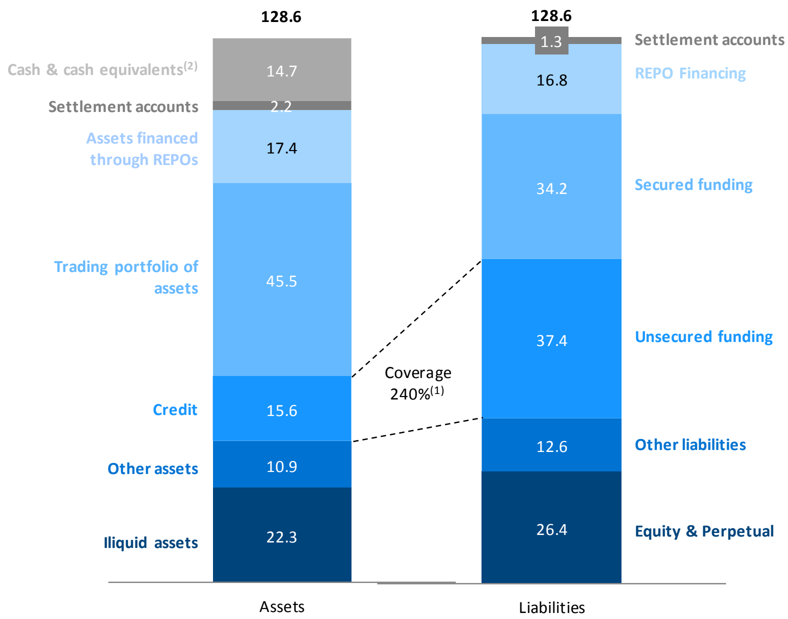
Our total average daily VaR as a percentage of our average shareholders' equity decreased 40% when compared to 2Q 2016. The decrease in the average daily VaR was mainly due to decrease in commodities and FX market risk exposure. Our market risk exposure to equities remained at relatively low levels.

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

## Liquidity Risk Analysis

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

**Summarized Balance Sheet (unaudited)**
*(in R$ billion)*



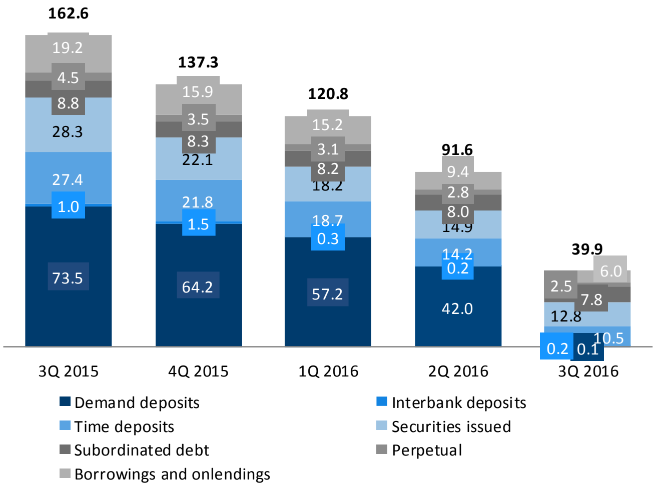

*Note:*
*(1) Excludes demand deposits from BTG Pactual stand alone*
*(2) Includes high quality liquid assets and receivable from BSI's sale*

## 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 56%, from R$91.6 billion in 2Q 2016 to R$39.9 billion in 3Q 2016, mainly impacted by the deconsolidation of BSI. Besides that, there was a reduction in securities issued by BTG Pactual as a result of the pre-payment of the credit line from FGC.

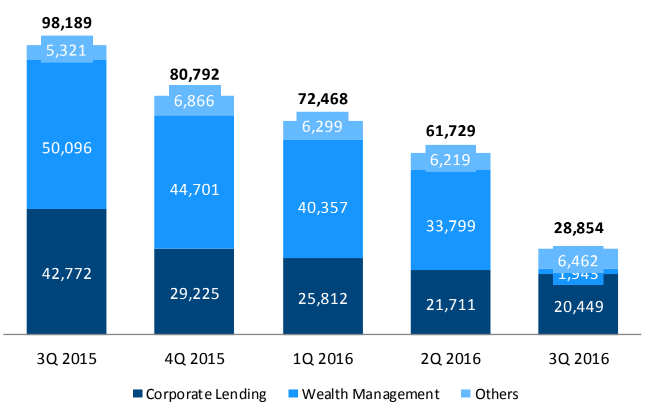
## BTG Pactual Broader Credit Portfolio

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$32.9 billion, from R$61.7 billion in 2Q 2016 to R$28.9 billion in 3Q 2016. The decrease was mainly a consequence of BSI's deconsolidation and prepayment transactions and credit amortizations performed in the quarter to strengthen our liquidity levels.

**Broader Credit Portfolio Breakdown By Area**

*(in R$ million)*



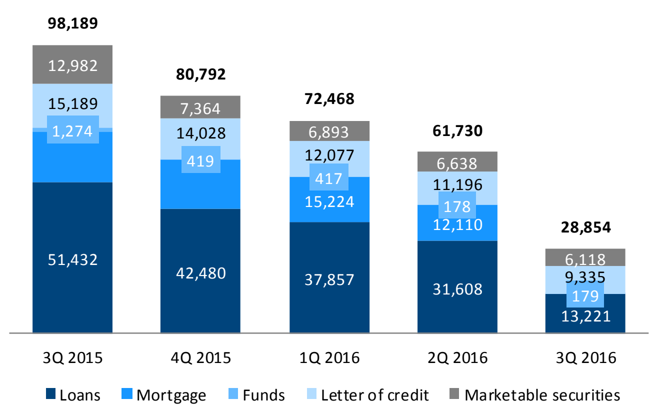

*Notes:*

*(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)*

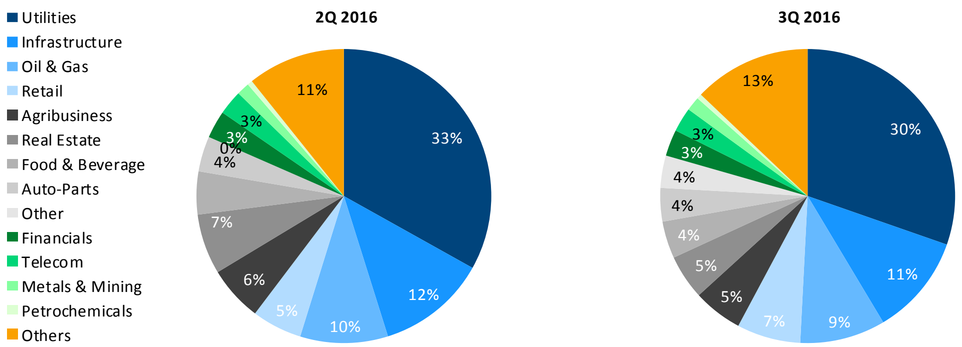



*Notes:*

*(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*

## Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of September 30th, 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) | 3Q 2016 |
|---|---|
| AA | 11,907 |
| A | 7,004 |
| B | 2,898 |
| C | 2,859 |
| D | 3,098 |
| E | 868 |
| F | 4 |
| G | 56 |
| H | 160 |
| **Total** | **28,854** |

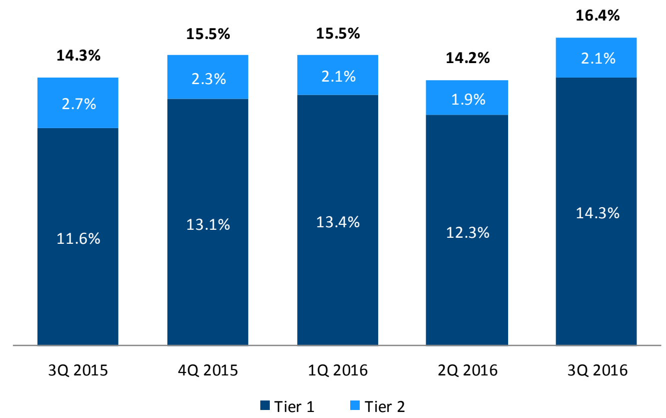
## Capital Management

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 increased to 16.4% at the end of 3Q 2016. The Basel index reflects a decrease in risk weighted assets especially related to commodities market risk and credit risk partially compensated by an increase in foreign exchange coupon risk.

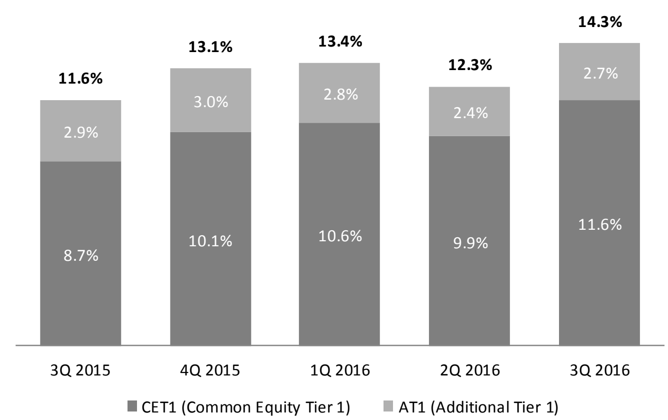
**Basel Ratio (unaudited)**

*(%)*




**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, and it considers the outstanding units as of the date of this report. This item is a non-GAAP measurement and may not be comparable to similar non-GAAP measures used by other companies. |
| 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. |

| KPIs and Ratios | Description |
|---|---|
| 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 | | | 3Q 2016 % change to | |
|---|---|---|---|---|---|
| | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 |
| **Assets** | | | | | |
| Cash and bank deposits | 23,062 | 12,809 | 577 | -97% | -95% |
| Interbank investments | 41,348 | 34,488 | 25,178 | -39% | -27% |
| Marketable securities and derivatives | 105,681 | 70,625 | 43,664 | -59% | -38% |
| Interbank transactions | 1,687 | 1,960 | 1,697 | 1% | -13% |
| Loans | 74,630 | 42,748 | 12,201 | -84% | -71% |
| Other receivables | 45,829 | 42,893 | 31,401 | -31% | -27% |
| Other assets | 333 | 266 | 159 | -52% | -40% |
| Permanent assets | 10,232 | 7,528 | 13,714 | 34% | 82% |
| **Total assets** | **302,802** | **213,315** | **128,591** | **-58%** | **-40%** |
| | | | | | |
| **Liabilities** | | | | | |
| Deposits | 95,377 | 55,073 | 9,209 | -90% | -83% |
| Open market funding | 45,109 | 22,493 | 22,820 | -49% | 1% |
| Funds from securities issued and accepted | 29,274 | 15,486 | 13,435 | -54% | -13% |
| Interbank transactions | 5 | 6 | 6 | 17% | 5% |
| Loans and onlendings | 19,158 | 13,983 | 10,531 | -45% | -25% |
| Derivatives | 44,144 | 31,055 | 13,632 | -69% | -56% |
| Subordinated liabilities | 13,301 | 8,044 | 7,794 | -41% | -3% |
| Other liabilities | 33,589 | 43,355 | 26,999 | -20% | -38% |
| Deferred income | 341 | 146 | 149 | -56% | 2% |
| **Shareholders'equity** | **22,119** | **23,527** | **23,876** | **8%** | **1%** |
| Non-controlling interest | 387 | 146 | 140 | -64% | -4% |
| **Total liabilities** | **302,802** | **213,315** | **128,591** | **-58%** | **-40%** |

Due to the completion of the segregation of our commodities division holding company, Engelhart CTP (“ECTP”), on October 13th, 2016, and the sale of our 100% stake in BSI Bank (“BSI”), on October 31st, 2016, BTG Pactual is presenting its balance sheets with both entities deconsolidated.

| Combined Adjusted Income Statement (unaudited) | Quarter | | | 3Q 2016 % change to | | Year to Date | | 9M 2016 % change to |
|---|---|---|---|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 3Q 2015 | 2Q 2016 | 3Q 2016 | 3Q 2015 | 2Q 2016 | 9M 2015 | 9M 2016 | 9M 2015 |
| Investment Banking | 66 | 80 | 110 | 67% | 38% | 269 | 252 | -6% |
| Corporate Lending | 237 | 276 | 218 | -8% | -21% | 857 | 700 | -18% |
| Sales & Trading | 1,444 | 1,147 | (416) | n.a. | n.a. | 2,925 | 2,685 | -8% |
| Asset Management | 327 | 130 | 114 | -65% | -12% | 867 | 426 | -51% |
| Wealth Management | 388 | 564 | 534 | 38% | -5% | 609 | 2,326 | 282% |
| Principal Investments | (469) | (211) | 273 | n.a. | n.a. | (405) | (456) | n.a. |
| Pan | 8 | (46) | (2) | n.a. | n.a. | (15) | (88) | n.a. |
| Interest & Others | 560 | 655 | 695 | 24% | 6% | 1,462 | 1,888 | 29% |
| **Total revenues** | **2,560** | **2,595** | **1,526** | **-40%** | **-41%** | **6,568** | **7,733** | **18%** |
| Bonus | (520) | (354) | 147 | -128% | -142% | (1,086) | (709) | -35% |
| Salaries and benefits | (364) | (500) | (437) | 20% | -13% | (807) | (1,506) | 87% |
| Administrative and other | (333) | (574) | (399) | 20% | -31% | (799) | (1,527) | 91% |
| Goodwill amortization | (56) | (54) | (50) | -11% | -8% | (152) | (159) | 4% |
| Tax charges, other than income tax | (99) | (94) | (123) | 24% | 30% | (334) | (351) | 5% |
| **Total operating expenses** | **(1,371)** | **(1,578)** | **(861)** | **-37%** | **-45%** | **(3,178)** | **(4,253)** | **34%** |
| **Income before taxes** | **1,189** | **1,017** | **665** | **-44%** | **-35%** | **3,390** | **3,480** | **3%** |
| Income tax and social contribution | 321 | (77) | (4) | -101% | -94% | (3) | (808) | 23795% |
| **Net Income** | **1,510** | **940** | **661** | **-56%** | **-30%** | **3,387** | **2,672** | **-21%** |

## 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) | Banco BTG Pactual S.A. | | BTG Investments LP. | |
|---|---|---|---|---|
| *(in R$ million, unless otherwise stated)* | 2Q 2016 | 3Q 2016 | 2Q 2016 | 3Q 2016 |
| **Assets** | | | | |
| Cash and bank deposits | 12,808 | 572 | 102 | 9 |
| Interbank investments | 34,488 | 25,178 | - | - |
| Marketable securities and derivatives | 63,166 | 36,768 | 9,328 | 8,850 |
| Interbank transactions | 1,960 | 1,697 | - | - |
| Loans | 40,319 | 9,421 | 2,429 | 2,780 |
| Other receivables | 42,886 | 31,519 | 7 | 38 |
| Other assets | 266 | 159 | - | - |
| Permanent asset | 7,528 | 13,714 | - | - |
| **Total assets** | **203,420** | **119,028** | **11,867** | **11,677** |
| | | | | |
| **Liabilities** | | | | |
| Deposits | 55,175 | 9,213 | - | - |
| Open market funding | 22,493 | 22,820 | - | - |
| Funds from securities issued and accepted | 13,994 | 11,312 | 2,460 | 2,436 |
| Interbank transactions | 6 | 6 | - | - |
| Loans and onlendings | 6,709 | 3,886 | 7,274 | 6,644 |
| Derivatives | 31,055 | 13,632 | 10 | 36 |
| Subordinated liabilities | 8,044 | 7,818 | - | - |
| Other liabilities | 44,769 | 28,738 | 0 | 11 |
| Deferred income | 146 | 149 | - | - |
| **Shareholders' equity** | **20,882** | **21,314** | **2,123** | **2,550** |
| Non-controlling interest | 146 | 140 | - | - |
| **Total liabilities** | **203,420** | **119,028** | **11,867** | **11,677** |

| Income Statement (unaudited) *(in R$ million, unless otherwise stated)* | Banco BTG Pactual S.A. | | BTG Investments LP. | |
|---|---|---|---|---|
| | 2Q 2016 | 3Q 2016 | 2Q 2016 | 3Q 2016 |
| Financial income | 3,834 | 2,673 | 8 | 407 |
| Financial expenses | (921) | (2,057) | (94) | (75) |
| **Gross financial income** | **2,913** | **616** | **(86)** | **332** |
| Other operating income (expenses) | (1,019) | (192) | 5 | (2) |
| **Operating income** | **1,894** | **425** | **(81)** | **330** |
| Non-operating income/(expenses) | 44 | 78 | - | - |
| **Income before taxes and profit sharing** | **1,938** | **503** | **(81)** | **330** |
| Income and social contribution taxes | (608) | 5 | - | - |
| Statutory profit sharing | (334) | 175 | - | - |
| Non-controlling interest | **8** | **35** | **-** | **-** |
| **Net income** | **1,003** | **717** | **(81)** | **330** |

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 | |
|---|---|---|---|---|
| | 2Q 2016 | 3Q 2016 | 2Q 2016 | 3Q 2016 |
| Banco BTG Pactual - BR GAAP | 203,420 | 119,028 | 1,003 | 717 |
| BTG Investments - IFRS | 11,867 | 11,677 | (81) | 330 |
| Total | 215,287 | 130,705 | 922 | 1,047 |
| Conversion adjustments from IFRS to BR GAAP | - | - | (16) | (1) |
| Consolidation and conversion adjustments | (1,971) | (2,114) | 34 | (385) |
| **Combined balances** | **213,315** | **128,591** | **940** | **661** |

## 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 and IFRS<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 - Third Quarter 2016

*November 8th, 2016 (after market closes)*

**English Conference Call**
**November 9, 2016 (Wednesday)**
10:00 AM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 15/11: +1 (412) 317-0088

Code: 10093092

**Portuguese Conference Call**
**November 9, 2016 (Wednesday)**
08:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 2188-0155

Code: BTG Pactual

Replay until 15/11: +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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