

November 24, 2017

To

Comissão de Valores Mobiliários - CVM

C/O: Mr. Cláudio José Paulo – Manager

Copy to: B3 S.A. – Brasil, Bolsa, Balcão

Ref.: Official Letter 379/2017/CVM/SEP/GEA-1 – Clarification on news item

BANCO BTG PACTUAL S.A. ("Bank"), in response to Official Letter 379/2017/CVM/SEP/GEA-1, transcribed below, which requests clarification on a news item published by the media ("Letter"), hereby clarifies the following:

Firstly, the Bank clarifies that it does not own shares or is a creditor of Lojas Leader SA ("Leader"), a company whose corporate control was held until the completion of the Transaction (as defined below) by the private equity fund BTG Pactual Principal Investments FIP ("FIP Principal") - in which PPLA Participations, Ltd. ("PPLA") invests through a joint venture with other investors - and by PPLA, also by means of a subsidiary. The Bank, through one of its subsidiaries, acted only as manager of FIP Principal at the time of the Transaction.

On April 13, 2016, PPLA published a notice to the market, informing the public in general that it had entered into a purchase and sale agreement with FIP Principal, in which both parties committed to selling, for a symbolic amount, the totality of their shares in Leader to Legion Holdings, an investment company founded by Mr. Fábio Carvalho and specialized in corporate restructuring, in particular for restructurings within the retail sector ("Transaction"). The conclusion of the Transaction was subject to certain predefined conditions. Following this announcement, PPLA issued, on July 28, 2016, a new notice to the market stating that all previous conditions had been met and that the Transaction had been executed on that date.

Within the scope of the Transaction and aiming to enable a debt equalization plan with the entry of a new investor (Legion Holdings), Leader's debt was absorbed by a subsidiary of PPLA, who will receive credits for such debt through Leader's cash flow generation, including credits arising from a possible sale of shares by the current controllers, as disclosed in PPLA's financial statements and corresponding explanatory notes. Thus, in an eventual recovery scenario of the company, any paid amount will derive exclusively from such credit agreement and will only be payable to PPLA in its condition as Leader's creditor, with no payment being related to the sale of equity interest by PPLA, FIP Principal or any other co-investors. It is important to highlight that neither PPLA, nor the Bank, have any political rights over Leader's shares, which are now held and whose powers are exercised independently by Legion Holdings. Additionally, since the Transaction, PPLA has already made expressive accounting provisions for the aforementioned credits, as disclosed in its quarterly financial statements.

Finally, the Bank clarifies that it has not been notified of any legal proceedings involving the matter which was subject of the Official Letter and, as manager of FIP Principal, hereby states that it is not aware of

and denies any agreement for reimbursement of equity investments that were originally made in Leader, either by FIP Principal, PPLA or any other investor.

João Marcello Dantas Leite

Investor Relations Officer of Banco BTG Pactual S.A.

Rio de Janeiro, November 22, 2017.

To Mr.

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Investor Relations Officer of

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Subject: Clarification on news item.

Dear Sirs,

1. In reference to news published on this date, in the Valor Online newspaper, Companies section, under the heading "In dispute with the bank, client accuses BTG of forging the sale of Leader", which contains, in summary, the following affirmations:

[...]

A businesswoman from Goiânia (GO), Ester Panarello, is charging the bank BTG Pactual, of which she has been a client for almost a decade, an indemnity for the loss of R\$ 47.5 million invested in retailer Leader, in 2013, which, after three years has turned to dust. In a suit filed in court last week, Esther accuses the bank and companies related to it, of violating diligence and loyalty duties with its clients, and also accuses the bank of having a conflict of interest and acting in collusion to obtain privileged advantages. At the moment, the suit filed is a legal

protest to interrupt the indemnification limitation period, which is of three years. An indemnity suit will likely be filed after the parties failed to negotiate.

The highlight of the lawsuit, which is used as basis for the accusations, is the transcript of recordings of a conversation between the businesswoman and a member of the bank, Carlos Fonseca, who, until 2015 was responsible for the private equity area of the institution and implemented the aggressive corporate buying strategy that gave BTG Pactual its fame during the beginning of this decade. On April 14, 2016, upon gaining knowledge of the sale of Leader, Ester received Mr. Fonseca and an executive named Alessandra Libman, who was responsible for managing Ester's account at the bank's wealth management division, at Ester's son Alexandre's apartment in São Paulo.

The transcript of the conversation (see table above) includes Mr. Fonseca's explanation, to the client, of the transaction involving Leader and Fábio Carvalho, a lawyer who had just assumed ownership of the fashion retailer for a symbolic amount of R\$ 1,000.00. "What I'm going to explain is not what you will read in the newspaper, nor is it to be mentioned in the future", the executive begins stating. From there, he says that the bank was buying the majority of Leader's outstanding debt with the country's largest banks: Bradesco, Itaú, HSBC, BB and CEF.

According to his statements, the idea was to convert these credits into equity, reduce debt and fully dilute shareholders. "Your stake will not be worth anything," he added. Further on, he clarifies the idea by saying that "we, who are now converting, will own 99.9% of the company". Mr. Fonseca then states that the company would be sold for R\$ 1,000.00 to Fábio Carvalho, whom he calls "a friend of ours" and concludes by saying that "there is an agreement between us and Fábio that, on the day they sell that company, he will receive a commission for doing this work but the result, the profit, comes back to us". In Mr. Fonseca's words, Fábio Carvalho, who had bought and restructured another retail chain in Rio de Janeiro, Casa & Vídeo, would operate the retailer while BTG would fix the debt situation and the creditor banks of Leader would be saved.

Based on this audio, Ester Panarello's lawyer states in the lawsuit that Fábio Carvalho would be BTG's "longa manus", a Latin expression that describes someone that simply executes demands, that is, he would act as a stooge. He also states that the audio contains simulation, violation of duties to inform the market and the intention to harm his client, who held 3.1% of Leader through a fund, named PPN, of which she was the sole shareholder.

Sources close to BTG say that Ester is trying to blackmail the bank to get undue compensation and that the businesswoman, unlike the image that she tries to show with the lawsuit, was aware of the risks involved when buying Leader shares. According to these sources, the fact is that BTG Participations, a private equity vehicle now renamed PPLA Participations, absorbed most of Leader's bank debts, totaling R\$ 602 million and such banks began to include a PPLA risk in their balance sheets, while PPLA became the creditor of R\$ 602 million with the retailer. The conversion of this debt to equity, which was proposed, did not occur.

The same sources deny that there is an off-record agreement between BTG and Fabio Carvalho. Members of the bank attribute the audio content to a poor choice of words used by Carlos Fonseca in trying to explain a complex operation with simple terminology. What the executive was trying to say, according to these people, is that the bank could recover the money as a creditor if the retailer's business prospered, because in the event of a transfer of control, the debt would be accelerated. Such explanations, they state, were given to Ester Panarello in order to signal to her a possible agreement, in which the businesswoman could receive part of the money if the bank could regain part of the debt.

What is not clear is why BTG, which had already lost money, its own as well as clients', invested in Leader shares, would decide to invest another R\$ 600 million in credits. For Ester Panarello, the intention was to sell the company at a simulated price and harm clients, herself included. In addition to Ester, which invested through an exclusive fund, other 60 or so clients of the bank were also indirect shareholders of the retailer through a private equity fund managed by the bank.

According to sources close to the bank, Leader was a bad investment and there concerns about labor and tax lawsuits that could fall on its clients lap if the retailer went bankrupt. A third source who is aware of the matter states that BTG Pactual needed to safeguard these credits with the top banks in order to keep its own credit lines open for the institution. These banks had collaborated to preserve BTG Pactual's financial liquidity from the end of 2015 to 2016 when the bank suffered a bank run in the face of the arrest of its controller, André Esteves.

[...]

2. In light of this, we request a statement from the company regarding the veracity of the news article, and if so, comment on information that is considered important on the subject.
3. We also remind our obligation set forth in the sole paragraph of article 4 of CVM Instruction 358/02, to inquire the Company's management and controlling shareholders, as well as all other persons with access to relevant facts, with the purpose of ascertaining whether they have knowledge of information that should be disclosed to the market
4. Explanations must be sent through the Empresa.net System, category: Notice to the Market, type: Clarification on CVM/B3 inquiries, subject: News Disclosed in the Media, which shall include the transcript of this letter.
5. We point out that, according to the Superintendence of Corporate Relations and its legal attributions, and based on Article 9, item II of Law 6,385/76 and CVM Instruction 452/07, a penalty of **R\$ 1,000.00 (one thousand reais)**, without prejudice to other administrative sanctions, will be imposed for failure to comply with the requirements contained in this letter, to be responded exclusively by e-mail, by **11/24/17**, which is provided for in the sole paragraph of article 6 of CVM Instruction 358/02.