

Banco BTG Pactual – Earnings Release

Second Quarter 2017

August 1, 2017

Highlights

Rio de Janeiro, Brazil, August 1st, 2017 - Banco BTG Pactual S.A. (“Banco”) and its respective subsidiaries, (“BTG Pactual”) (B3: BPAC11) today reported total revenues of R\$851.0 million and net adjusted income of R\$603.2 million for the quarter ended June 30, 2017.

Adjusted Net income per unit, and annualized adjusted return on average shareholders’ equity (“Annualized ROAE”) of BTG Pactual, were R\$0.67 and 13.3%, respectively, for the quarter ended June 30, 2017.

As of June 30, 2017, the total assets of BTG Pactual were R\$119.1 billion, a 5% decrease when compared to March 31, 2017. The BIS capital ratio of Banco BTG Pactual was 19.0%.

Banco BTG Pactual Financial Summary and Key Performance Indicators ⁽¹⁾

Highlights and KPIs (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			Year to Date	
	2Q 2016	1Q 2017	2Q 2017	6M 2016	6M 2017
Total revenues	2,650	1,661	851	6,195	2,512
Net income	1,003	720	503	2,012	1,223
Adjusted Net income	1,003	843	603	2,012	1,446
Adjusted Net income per unit (R\$)	0.91	0.92	0.67	1.83	1.60
Annualized ROAE	19.4%	18.7%	13.3%	19.8%	16.2%
Cost to income ratio	59.3%	42.3%	58.5%	54.6%	47.8%
Shareholders' equity	20,882	18,338	18,079		
Total Number of Shares (# in '000)	3,293,696	2,734,587	2,711,615		
Number of Theoretical Units (# in '000)	1,097,899	911,529	903,872		
Book Value per unit (R\$)	19.0	20.1	20.0		
BIS Capital Ratio	14.2%	19.5%	19.0%		
Total assets (in R\$ Billion)	203.4	125.2	119.1		
AuM and AuA (in R\$ Billion)	118.4	120.1	127.9		
WuM (in R\$ Billion)	310.0	79.9	81.7		

Note

From 4Q 2016 onwards ECTP and BSI numbers reported as equity pick-up in the Participations division.

For 2Q 2016 Total shares and Units were adjusted to reflect the bonus stock in connection with ECTP's Transaction, which represents an additional 26.3%

(1) For 2Q 2016 no adjustment was made between the net income and adjusted net income.

Performance Banco BTG Pactual | BPAC11

In 2Q 2017, we achieved an annualized ROAE of 13.3% and adjusted net income of R\$603.2 million.

In the quarter, revenues were down 49% when compared to 1Q 2017. Revenues were impacted by a weak performance in Investment Banking, where we had low levels of activity while maintaining our market share and leadership position, and Sales and Trading, where we had lower revenues especially from Rates desks, mostly due to the rapid change in market dynamics following Brazil's political turmoil, which contributed to higher volatility and lower volumes. Also, Principal Investments had negative revenues driven by negative mark to market in Eneva, partially compensated by gains from our investment in Petro Africa. On the positive side, Corporate Lending had strong performance driven by our NPL portfolios, while Corporate Lending book continued with good spreads and conservative credit provisions. In addition, Asset Management and Wealth Management both had good performance and presented sound NNM. Finally, Interest and Others revenues were lower in line with the decrease in the short term interest rate from 12.25% to 10.25%. In Participations, revenues were mostly driven by negative results in ECTP.

Our operating expenses reached R\$497.6 million, a 29% decrease when compared to 1Q 2017, mostly attributable to lower bonus provision and tax charges other than income tax. As a result, cost to income ratio was 58.5% and our compensation ratio was 23.2% for the period. When adjusted for non-recurring items and goodwill, cost income ratio was 41.5%.

As a result, our net income reached R\$502.6 million in 2Q 2017, down 30% when compared to 1Q 2017 and down 50% when compared to 2Q 2016. In the quarter, we recorded a positive impact from income taxes of R\$149.2 million.

Our shareholders' equity decreased 1% from R\$18.3 billion at the end of 1Q 2017 to R\$18.1 billion at the end of 2Q 2017, which takes into account the R\$630 million interest on equity distributed to shareholders. When compared to the end of 2Q 2016, our shareholders' equity decreased 13%, mainly given the effects of ECTP's distribution. Basel index remained strong at 19.0%, reflecting a conservative balance sheet due and prudent risk management approach.

BTG Pactual's AuM and AuA ended 2Q 2017 at R\$127.9 billion, a 6% increase when compared to end of 1Q 2017, and WuM for BTG Pactual ended the period at R\$81.7 billion, a 2% increase when compared to 1Q 2017.

Adjusted Net Income and ROAE (unaudited)	2Q 2017 Accounting	Non Recurring Items & Goodwill	2Q 2017 Adjusted	6M 2017 Adjusted
Investment banking	19.3	37.0	56.3	208.6
Corporate lending	289.0		289.0	444.2
Sales and trading	154.0		154.0	739.9
Asset management	107.3		107.3	214.4
Wealth management	89.2		89.2	176.3
Principal investments	(31.5)		(31.5)	81.4
Participations	(111.6)	11.1	(100.5)	2.1
Interest and other	335.4		335.4	719.8
Total revenues	851.0	48.1	899.2	2,586.6
Bonus	(64.7)	(9.3)	(74.0)	(277.8)
Salaries and benefits	(132.6)		(132.6)	(264.6)
Administrative and other	(214.0)	61.1	(152.9)	(296.8)
Goodwill amortization	(63.9)	63.9	-	-
Tax charges, other than income tax	(22.5)		(22.5)	(111.3)
Total operating expenses	(497.6)	115.7	(382.0)	(950.6)
Income before taxes	353.4	163.8	517.2	1,636.1
Income tax and social contribution	149.2	(63.2)	86.0	(190.2)
Net Income	502.6	100.7	603.2	1,445.8
Annualized ROAE	11.0%		13.3%	16.2%

Results excluding non-recurring items and goodwill provides a more meaningful information of the underlying profitability of our businesses.

Non-Recurring Items & Goodwill

Investment Banking: Related to the one-off reversal of fees connected to a transaction that was not approved by antitrust authorities, received in 2016.

Participations: Related to the sale of Ariel Re

Bonus: Theoretical increase on adjusted Investment Banking revenues

Administrative and Others: Mainly related to legal expenses from BSI legal cases in total of R\$36 million and one-off legal expenses of R\$21 million in BTG Pactual

Goodwill: Related to Celfin, Bolsa y Renta and EFG / BSI

Relevant Events

On July 17, 2017 after negotiations between BTG Pactual and EFG International (“EFG”), BTG Pactual agreed to return CHF 89 million of the amount previously paid by EFG. This amount includes the CHF 95 million fine previously imposed by FINMA on BSI SA, which is pending an appeal to be defined.

Also, in line with previous announcements, BTG Pactual provided shareholders the capability to segregate their former BBTG11 units. As of today, approximately 116 million units (46%) out of the 253 million formed units have migrated into the new unit structure.

During the quarter ended June 30, 2017, as part of the commodity trading activities separation process, ECTP acquired 6.39% of its own shares held by the Bank. The total consideration paid was US\$147 million and the price was equivalent to ECTP's net asset accounting value. Banco BTG Pactual currently owns 21.2% of ECTP. The average ownership in 2Q 2017 was 22.6%.

Global Market and Economic Analysis

The second quarter was marked by a sequence of lower than expected inflation in the US, which coupled with the perspective that President Donald Trump would be able to deliver only a modest economic stimulus, explaining the dollar weakness in Q2.

The US consumer price index that excludes volatile components (food and energy) slowed down to 1.7% on a year-over-year basis in June from 2% in March. Although in terms of magnitude the highlight was a decline in the wireless telephone services, the recent slowdown was broad based. The Federal Reserve ("Fed") hiked the interest rate in June, despite the low inflation, given that the labor market improved further. The Chairman of the Fed, however, indicated that the monetary policy committee would monitor the inflation developments closely in the coming months to assess the timing of the next hike. The most likely scenario is that the Fed will announce the end of the balance sheet reinvestment policy until September and will hike in December.

In this environment, the dollar index ("DXY") depreciated almost 5% in the quarter. The highlight was the EUR, which appreciated 7.3% against the USD. The reduction of the political risk in Europe due to Macron's election in France also contributed to this movement. The Mexican Peso appreciated 3.3% in Q2 as the Trump's agenda on trade policies continued to moderate. Other than that, the Chilean Peso depreciated 0.5%, the Colombian Peso declined 5.6% (in part due to the decline in oil prices) and the Brazilian Real depreciated 5.6% due to the rise of political uncertainty.

On the rates side, the 10-year Treasury Yield in the US fell 8 basis points ("bp") in Q2 as markets continued to price fewer hikes by the Fed due to the slowdown in inflation. In Germany, however, the 10-year Bund rate increased 14bp as the European Central Bank changed somewhat the stance of monetary policy by acknowledging the improvement in the economic activity and the reduction of downside risks. In Japan, the 10-year interest rate was roughly flat (+1bp). In Latin America, there was no clear trend. In Brazil, the DI contract expiring in January 2025 increased 20bp due to the decline in the social security reform approval (on the back of the political noise). In Mexico, the 10-year swap rate fell 25bp, in Colombia it declined 7bp and in Chile it was flat.

In the equity market, the S&P500 rose 3% and the Nikkei 6% based on the pickup of economic activity. On the other hand, the DAX index was flat as the increase in rates and the appreciation of the EUR offset the improvement in the economic outlook. In Latin America, the equity prices declined 3% in Brazil and 1% in Chile. On the other hand, in Mexico the equity prices rose 3% and in Colombia 7%.

In Brazil, the focus in the last few months was a new political imbroglio that hit President Temer in mid-May. In spite of that, the government was able to advance on important items of its agenda, such as the Labor Reform. The odds of approval of the politically costly Pension Reform, however, are lower. At any rate, after voting an indictment against the President in Congress, scheduled for early August, the voting of a leaner version of the reform may be attempted.

On the economic activity front, after contracting for eight consecutive quarters, GDP rose in 1Q17 and should be stable in 2Q17. In fact, activity has been flattish of late, no longer contracting but unable to assume a steady upward trend in 2017. Looking forward, the monetary easing cycle is welcome, but the deterioration of the political scenario has driven up uncertainties, which may hold off the recovery of consumption and investments in the short term.

With respect to inflation, the 12-month IPCA declined to 2.8% y/y in mid-July, symbolically below the lower bound of the inflation target tolerance band. Against this background and reflecting well-behaved inflation expectations, the National Monetary Council announced a reduction of the inflation target for 2019 and 2020, to 4.25% and 4%, respectively, setting the stage for a gradual convergence towards 'global standards'.

Finally, on the external sector, the current account deficit continued to improve in Q2. Such dynamics is mainly explained by the continued improvement in the trade balance surplus, which totaled US\$36.2bn in 1H17 versus US\$23.6bn in 1H16. A recovery of economic activity should cause imports to advance, but leading to a gradual weakening in longer horizons. In the financial account, there are signs that the more volatile sources of financing may improve in the following quarters.

Consolidated Adjusted Revenues

Revenues in 2Q 2017 decreased 49% when compared to 1Q 2017 and decreased 68% when compared to 2Q 2016. When excluding effects of BSI and ECTP in 2Q 2016, revenues would have decreased 21%. Starting 4Q 2016, we began presenting our strategic investments under the Participations line. These investments include our share of profits/losses of our stakes in: Banco Pan, Pan Seguros, Pan Corretora, Ariel Re, EFG and ECTP.

Adjusted Revenues (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			2Q 2017 % change to		Year to Date		6M 2017 % change to
	2Q 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017	6M 2016	6M 2017	6M 2016
Investment Banking	80	152	19	-76%	-87%	142	172	21%
Corporate Lending	276	155	289	5%	86%	482	444	-8%
Sales & Trading	1,144	586	154	-87%	-74%	2,934	740	-75%
Asset Management	130	107	107	-17%	0%	312	214	-31%
Wealth Management	563	87	89	-84%	2%	1,790	176	-90%
Principal Investments	(67)	113	(32)	n.a.	n.a.	(294)	81	n.a.
Participations	(46)	76	(112)	n.a.	n.a.	(86)	(35)	n.a.
Interest & Others	571	384	335	-41%	-13%	915	720	-21%
Total revenues	2,650	1,661	851	-68%	-49%	6,195	2,512	-59%

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 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017	2Q 2017
Financial Advisory (M&A) ⁽⁴⁾	4	10	6	8,332	3,832	1,442
Equity Underwriting (ECM)	-	7	4	-	2,643	228
Debt Underwriting (DCM)	1	11	3	275	2,471	1,350

BTG Pactual Announced Transactions (unaudited)	Number of Transactions ^{(1),(3)}		Value ^{(2),(3)} (US\$ mln)	
	6M 2016	6M 2017	6M 2016	6M 2017
Financial Advisory (M&A) ⁽⁴⁾	11	16	10,807	5,274
Equity Underwriting (ECM)	1	11	34	2,871
Debt Underwriting (DCM)	9	14	526	3,821

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 2Q 2017 market share highlights

M&A: #1 in number of transactions in Brazil and Latin America

ECM: #2 in number of transactions in Latin America

2Q 2017 vs. 1Q 2017

Investment Banking revenues decreased 87%, from R\$152.3 million in 1Q 2017 to R\$19.3 million in 2Q 2017. The revenue decrease was mainly attributable to a significant decrease in market activity and a R\$37 million one-off reversal of fees connected to a M&A transaction that was not approved by antitrust authorities.

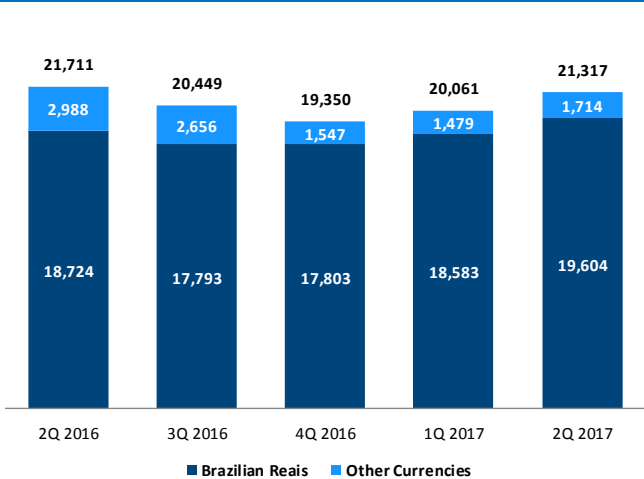
2Q 2017 vs. 2Q 2016

Revenues in the quarter decreased 76% from R\$79.9 million in 2Q 2016 to R\$19.3 million in 2Q 2017. Results were driven by the reversal of a transaction fee in M&A, as described above. Revenue decrease was partially offset by higher ECM and DCM revenues both as a result of increased market share.

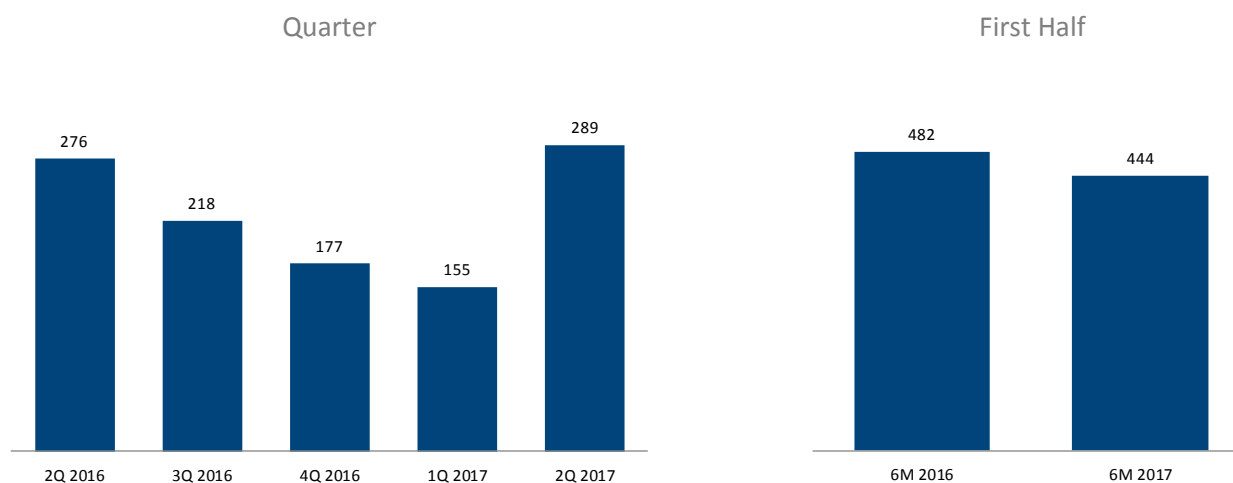
Corporate Lending

At quarter end, our Corporate Lending book increased 6% when compared to 1Q 2017.

Corporate Lending Portfolio
(in R\$ million)



Revenues (in R\$ million)



2Q 2017 vs. 1Q 2017

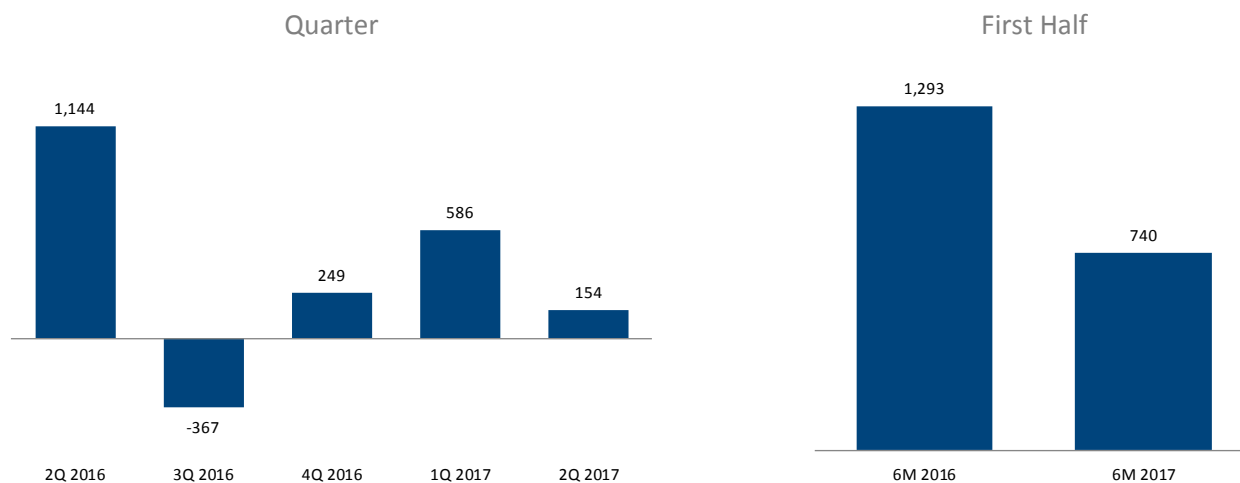
Revenues from Corporate Lending increased 86% from R\$155.2 million in 1Q 2017 to R\$289.0 million in 2Q 2017, mainly impacted by higher revenues from our NPL portfolios. Our Corporate Lending book continues to perform well, with spreads in line with our historical average and good credit quality.

2Q 2017 vs. 2Q 2016

Revenues from Corporate Lending remained stable at R\$289.0 million in 2Q 2017, compared to R\$275.8 million in the 2Q 2016. Main effects were higher revenues from our NPL portfolio and higher provision on loan losses in 2Q 2017.

Sales & Trading

Revenues
(in R\$ million)



2Q 2017 vs. 1Q 2017

Sales & Trading revenues were R\$154.0 million in 2Q 2017 compared to R\$585.8 million in 1Q 2017, a 73% decrease. This decrease was mainly driven by weaker revenues from our rates desk impacted by the Brazilian markets turmoil in May. FX desks also had lower revenue contribution. On the other hand, our Brazilian energy desk had higher revenues and Equities desks remained stable.

2Q 2017 vs. 2Q 2016

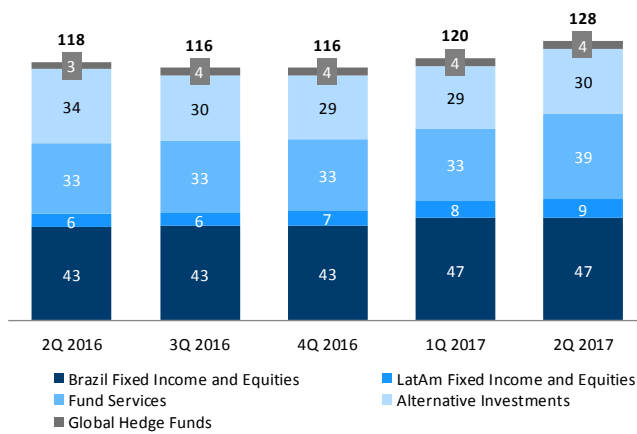
Sales & Trading revenues decreased from R\$387.4 million to R\$154.0 million, already excluding the effect from ECTP in 2Q 2016. This decrease was mainly due to weaker performance from our Rates desk, as explained above, partially compensated by higher revenues from FX and Equities desks.

Asset Management

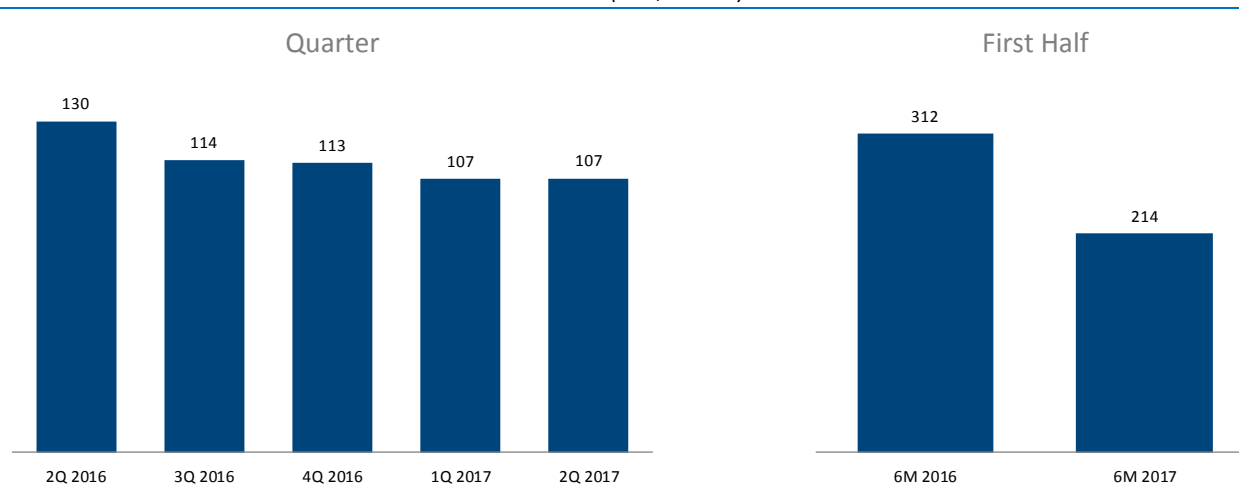
At quarter end, our Assets under Management and Assets under Administration increased 6% to R\$127.9 billion in 2Q 2017 compared to R\$120.1 billion in 1Q 2017. Net new money was positive R\$6.4 billion in the quarter, with positive net inflows in all divisions, of which R\$4.6 billion was concentrated in Fund Services.

AuM & AuA by Asset Class

(in R\$ billion)



Revenues (in R\$ million)



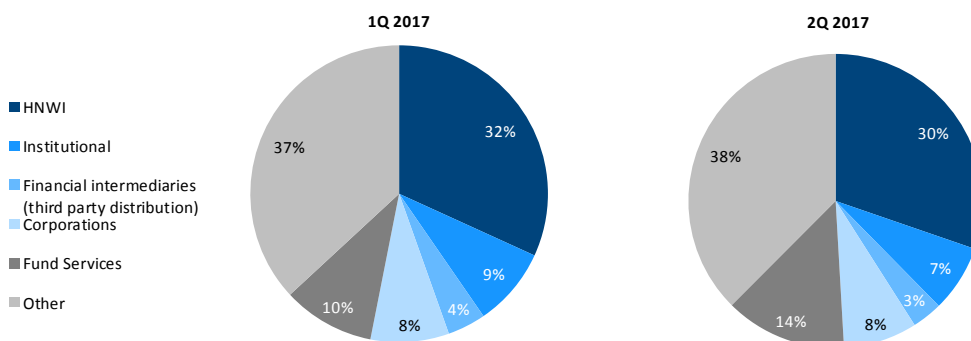
2Q 2017 vs. 1Q 2017

Asset Management revenues remained stable, across all products, at R\$107.3 million in 2Q 2017, compared to R\$107.1 million in 1Q 2017. Revenues continue to reflect mainly management fees.

2Q 2017 vs. 2Q 2016

Asset Management revenues decreased 17% from R\$129.8 million in 2Q 2016 to R\$107.3 million in 2Q 2017. The decrease was mainly attributable to (i) 2% reduction of the average AuM / AuA in the period and (ii) the recognition of performance fees concentrated in Alternative Investment in 2Q 2016.

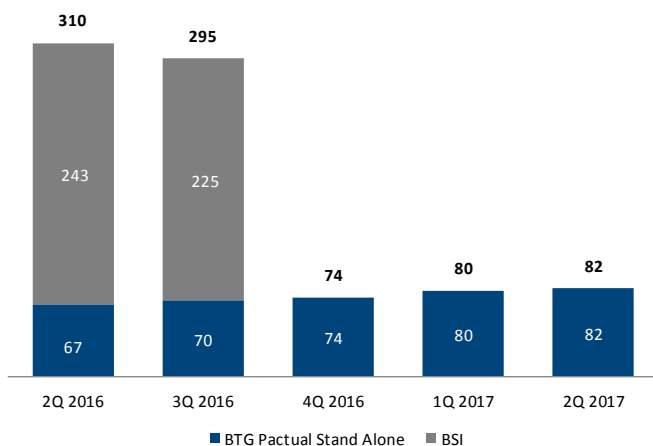
AuM and AuA by Type of Client (%)



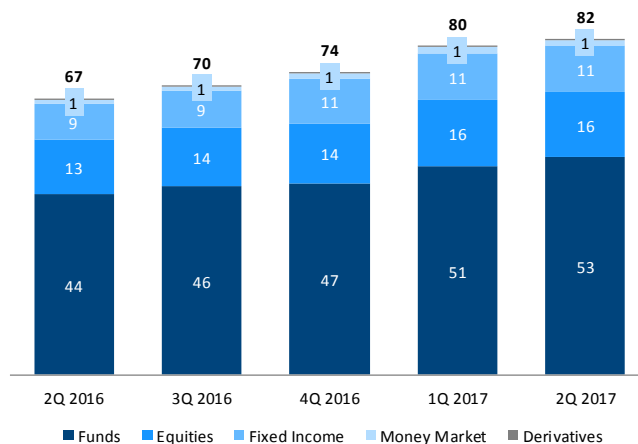
Wealth Management

At quarter end, our Wealth under Management increased 2% from R\$79.9 billion in 1Q 2017 to R\$81.7 billion in 2Q 2017. Net New Money reached R\$1.2 billion.

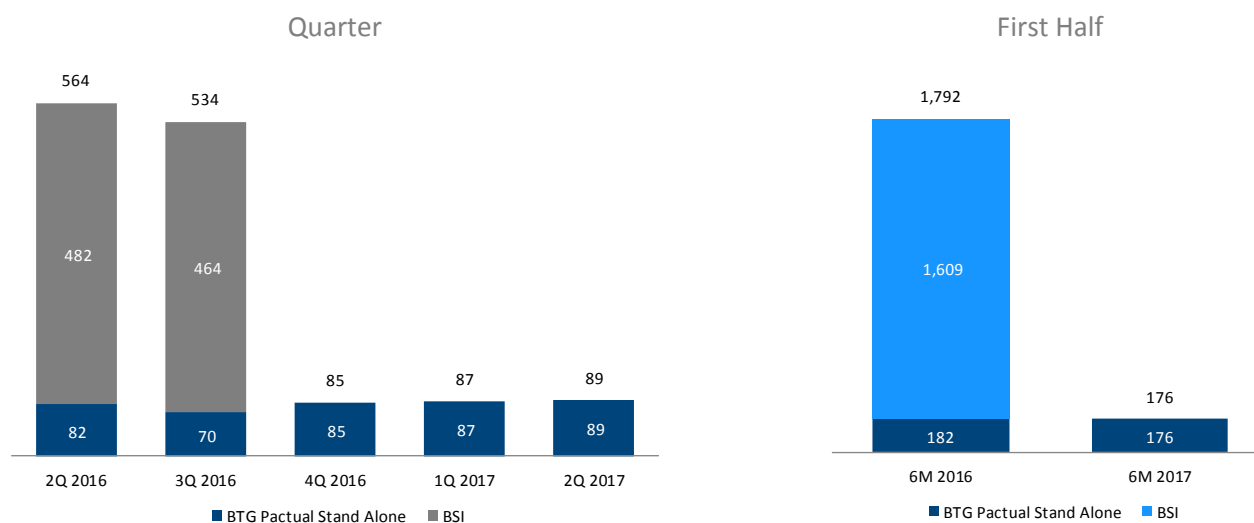
WuM breakdown (in R\$ billion)



WuM by Class of Asset (ex. BSI) (in R\$ billion)



Revenues (in R\$ million)



2Q 2017 vs. 1Q 2017

Wealth Management revenues for BTG Pactual stand-alone increased 2% to R\$89.2 million in 2Q 2017 compared to R\$87.1 million in 1Q 2017. Revenues mainly reflect (i) higher trading volumes in the quarter and (ii) higher fees from product distribution, partially compensated by lower revenues from credit, which were particularly high in the previous quarter.

2Q 2017 vs. 2Q 2016

Revenues from Wealth Management of BTG Pactual stand-alone increased 9%, from R\$81.1 million to R\$89.2 million. The increase was mainly due to the 14% increase in the average WuM, impacting fees from investment funds and increase trading volumes.

Principal Investments

Principal Investments Revenues (preliminary and unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			2Q 2017 % change to		Full Year		6M 2017 % change to
	2Q 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017	6M 2016	6M 2017	6M 2016
Global Markets	6	13	17	186%	38%	(22)	30	n.a.
Merchant Banking	(97)	113	(28)	n.a.	n.a.	(208)	84	n.a.
Real Estate	24	(12)	(21)	n.a.	n.a.	(64)	(33)	n.a.
Total	(67)	113	(32)	n.a.	n.a.	(294)	81	n.a.

2Q 2017 vs. 1Q 2017

Principal Investments had losses of R\$31.5 million in 2Q 2017, compared to gains of R\$112.9 million in 1Q 2017.

In the quarter, Global Markets had positive contribution on Europe and LatAm Equities strategies. In Merchant Banking, we recorded losses of R\$28.2 million mainly driven by (i) negative mark to market in Eneva, (ii) internal funding cost allocation, partially compensated by positive contribution from investment in Petro Africa. Real Estate had a negative contribution mainly driven by internal funding cost allocation.

2Q 2017 vs. 2Q 2016

Revenues from Principal Investments varied from losses of R\$67.3 million in 2Q 2016 to losses of R\$31.5 million in 2Q 2017. The differences in 2Q 2016 were mainly (i) higher losses in Merchant Banking, given the higher internal funding costs allocation, (ii) gains in Real Estate due to the sale of BRPR that positively impacted results and (iii) lower revenues from Global Markets.

Participations

Starting 4Q 2016, we began presenting our strategic investments under the Participations line item. These investments include our share of profits/losses of our stake in each of: Banco Pan, Pan Seguros, Pan Corretora, EFG and ECTP. All investments are accounted for using the equity pick up method and the results are gross of the funding costs applied.

2Q 2017 vs. 1Q 2017

In Participations we had negative revenue contribution of R\$111.6 million in 2Q 2017 composed of (i) R\$16.7 million gain from Banco Pan, (ii) R\$4.2 million gain from Pan Seguros and Pan Corretora, (iii) R\$5.6 million loss from EFG, (iv) R\$115.8 million loss from ECTP and (v) R\$11.1 million loss from the sale of Ariel Re.

2Q 2017 vs. 2Q 2016

Participations revenues were negative R\$111.6 million as noted above. In 2Q 2016 negative revenues of R\$46.2 million, which were related to Pan.

Interest & Others

2Q 2017 vs. 1Q 2017

Interest & Others revenues were R\$335.4 million in 2Q 2017, compared to R\$384.4 million in 1Q 2017. The decrease is in line with the 1% decrease in our shareholders' equity and the decrease in average interest rate from 12.25% to 10.25% in the period. Revenues are composed of the average interest rate of the Central Bank of Brazil applied to our equity.

2Q 2017 vs. 2Q 2016

Revenues from Interest & Others decreased 41% in the period, mainly due to (i) the decrease in the average interest rate from 14.25% to 10.25% and (ii) the 13% decrease in shareholder's equity, mainly as a result of the ECTP transaction.

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			2Q 2017 % change to		Year to Date		6M 2017 % change to
	2Q 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017	6M 2016	6M 2017	6M 2016
Bonus	(352)	(204)	(65)	-82%	-68%	(852)	(269)	-68%
Salaries and benefits	(500)	(132)	(133)	-74%	0%	(1,069)	(265)	-75%
Administrative and other	(570)	(180)	(214)	-62%	19%	(1,121)	(394)	-65%
Goodwill amortization	(54)	(97)	(64)	18%	-34%	(109)	(161)	48%
Tax charges, other than income tax	(94)	(89)	(23)	-76%	-75%	(229)	(111)	-51%
Total operating expenses	(1,571)	(702)	(498)	-68%	-29%	(3,380)	(1,200)	-64%
Cost to income ratio	59%	42%	58%	-1%	38%	55%	48%	-12%
Compensation ratio	32%	20%	23%	-28%	15%	31%	21%	-32%
Total number of employees	4,797	2,188	2,226	-54%	2%	4,797	2,011	-58%
Partners and associate partners	189	224	219	16%	-2%	189	219	16%
Employees ⁽¹⁾	4,362	1,764	1,792	-59%	2%	4,362	1,792	-59%
Other	246	200	215	-13%	8%	246	215	-13%

Bonus

Bonus expense were R\$64.7 million in 2Q 2017, compared to R\$203.8 million in 1Q 2017 and R\$351.8 million in 2Q 2016. When excluding BSI and ECTP, bonus expenses were R\$82.3 million in 2Q 2016. 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 remained stable when compared to 1Q 2017 and decreased 74%, when compared to 2Q 2016. Expenses related to salaries and benefits were R\$500.5 million in 2Q 2016 and R\$132.1 million in 1Q 2017, compared to R\$132.6 million in 2Q 2017. Excluding the impact of BSI and ECTP, expenses related to salaries and benefits would have been R\$153.5 million in 2Q 2016 a 14% decrease, mostly due to the effects of our cost reduction program.

Administrative and other

Total administrative and other expenses increased 19%, from R\$180.4 million in 1Q 2017 to R\$214.0 million in 2Q 2017, mainly impacted by one-off legal fees. When compared to 2Q 2016, there was a 62% reduction from R\$569.5 million to R\$214.0 million, and excluding the impacts of BSI and ECTP's, a 27% decrease, mainly as an effect of our cost reduction program.

Goodwill amortization

In 2Q 2017 we recorded amortization expenses totaling R\$63.9 million, in connection with the goodwill from the acquisitions of Celfin, Bolsa y Renta and EFG transaction. Goodwill amortization decreased 34% when compared to 1Q 2017 and increased 18% when compared to 2Q 2016, due to the goodwill amortization in connection with the EFG / BSI transaction that started on November 2016.

Tax charges, other than income tax

Tax charges, other than income tax, were R\$22.5 million compared to R\$88.8 million in 1Q 2017 as a smaller portion of our revenues were subject to tax charges in the period.

Adjusted Income Taxes

Adjusted Income Tax (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			Year to Date	
	2Q 2016	1Q 2017	2Q 2017	6M 2016	6M 2017
Income before taxes	1,080	959	353	2,815	1,312
Income tax and social contribution	(77)	(239)	149	(804)	(90)
Effective income tax rate	7.1%	24.9%	-42.2%	28.5%	6.8%

Our effective income tax rate was -42.2% (representing an income tax gain of R\$149.2 million) mainly due to the (i) computation of interest on equity (JCP) in the 2Q 2017 and (ii) a more favorable revenues mix, with proportionally less revenues subject to corporate tax in the period. Our effective income tax rate was 24.9% (an expense of R\$238.8 million) in 1Q 2017, and 7.1% (an expense of R\$76.5 million) in the 2Q 2016.

Balance Sheet

Our total assets decreased 5%, from R\$125.2 billion at the end of 1Q 2017 to R\$119.1 billion at the end of 2Q 2017, mainly due to a decrease in our derivative financial instruments and foreign exchange portfolios - both are booked on a gross basis. Our cash and cash equivalents remained high at R\$ 10.6 billion at quarter end. Our leverage ratio decreased to 6.6x from 6.8x in the previous quarter.

On the liability side, the derivative financial instruments and foreign exchange portfolios decreased in line with the decrease in our assets, as mentioned above.

Our shareholders' equity decreased 1%, from R\$18.3 billion at the end of 1Q 2017 to R\$18.1 billion at the end of 2Q 2017, mainly due to the distribution of R\$630 million of interest on equity and our stock repurchase program. The reduction was partially offset by net income of R\$ 503 million in the quarter.

Risk and Capital Management

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

Market Risk – Value-at-risk

Value-at-risk (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter		
	2Q 2016	1Q 2017	2Q 2017
Total average daily VaR	234.3	117.0	103.4
Average daily VaR as a % of average equity	1.14%	0.65%	0.57%

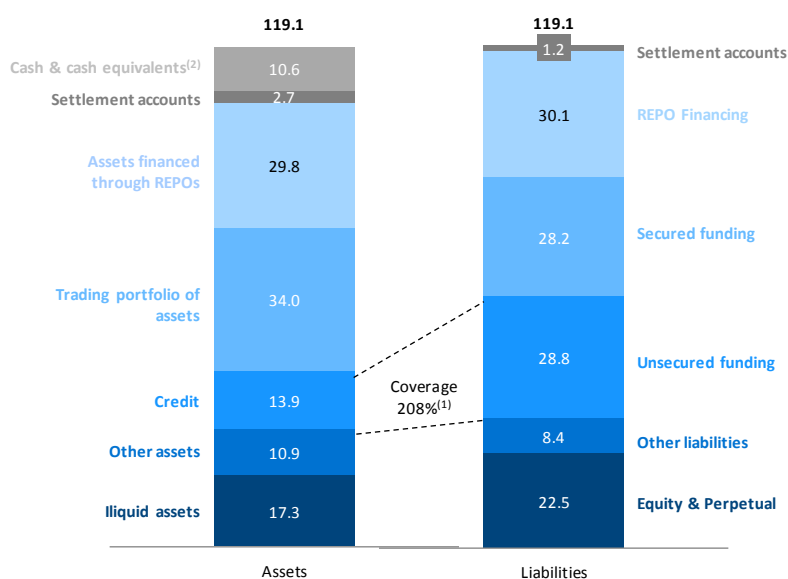
Our total average daily VaR decreased 12% when compared to 1Q 2017. The decrease in the average daily VaR was mainly due to a reduction in FX market risk exposure. Our market risk exposure remains at relatively low levels.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of June 30, 2017:

Summarized Balance Sheet (unaudited)

(in R\$ billion)



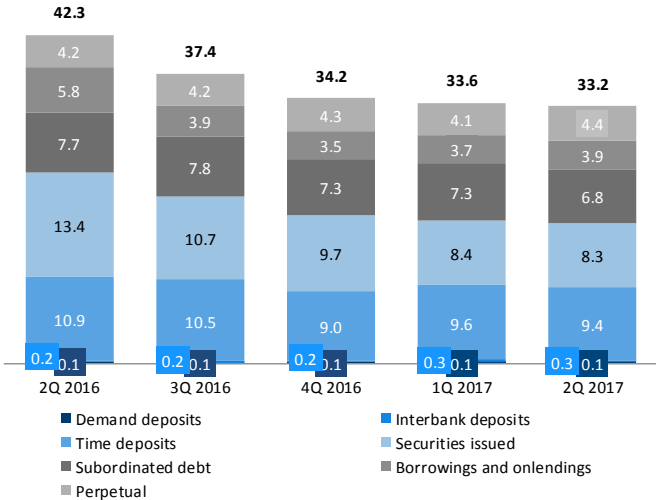
Note:

(1) Excludes demand deposits

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 remained stable at R\$33.2 billion in 2Q 2017, compared to R\$ R\$33.6 billion in 1Q 2017.

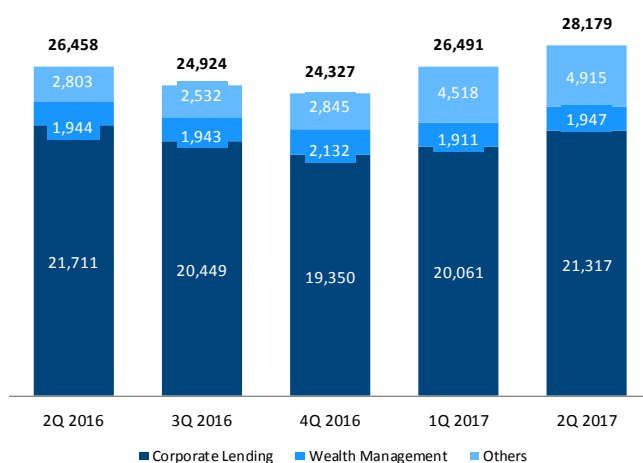
BTG Pactual Broader Credit Portfolio

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 increased R\$1.7 billion, from R\$26.5 billion in 1Q 2017 to R\$28.2 billion in 2Q 2017. The increase was mainly a consequence of new credit exposure in the quarter.

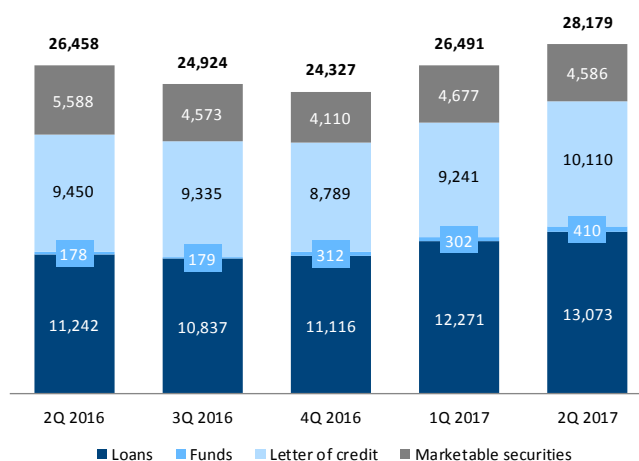
Broader Credit Portfolio Breakdown By Area

(in R\$ million)



Broader Credit Portfolio By Product

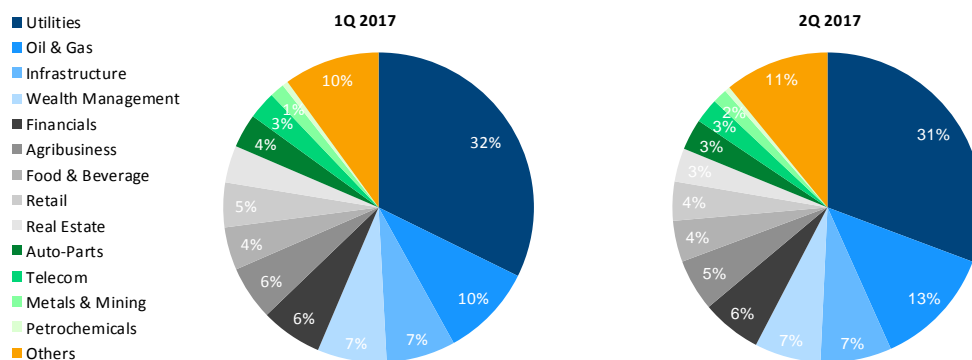
(in R\$ million)



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

Corporate Lending & Others Portfolio by Industry (% of total in values)



Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of June 30, 2017. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

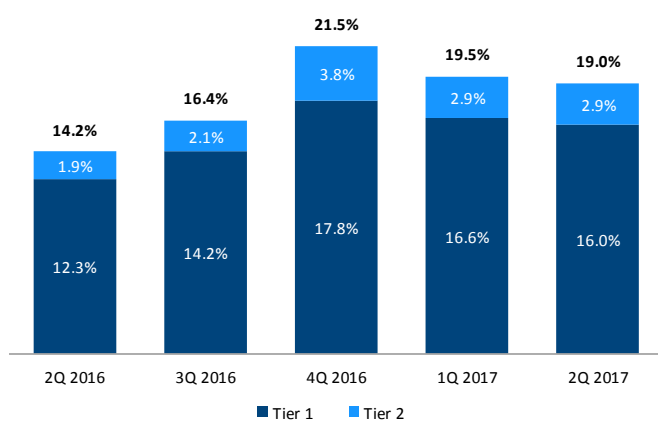
Rating (unaudited) (in R\$ million)	2Q 2017
AA	13,483
A	4,893
B	2,762
C	2,193
D	3,311
E	305
F	580
G	-
H	651
Total	28,179

Capital Management

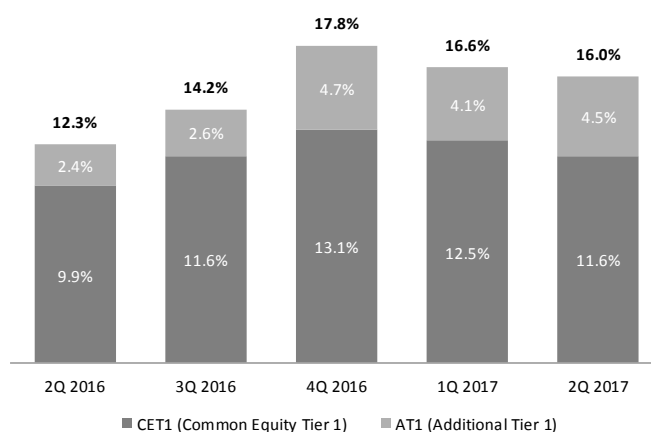
Banco BTG Pactual complies with standards of capital requirements established by the Brazilian Central Bank that are consistent with those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our Basel capital ratios, calculated in accordance with the Brazilian Central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

The Basel ratio decreased to 19.0% at the end of 2Q 2017. The decrease in Basel index reflects the tangible equity decrease especially given the interest on equity distributed in the period.

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 Balance Sheet, which is prepared in accordance with Brazilian GAAP for Banco BTG Pactual S.A. and its subsidiaries. Except where otherwise noted, the information concerning our results of operations presented in this document is based on our 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 Adjusted Income Statement is derived from the same accounting information used for preparing our Income Statement in accordance with Brazilian GAAP and IFRS. The classification of the line items in our Adjusted Income Statement is unaudited and materially differs from the classification and presentation of the corresponding line items in our Income Statement. As explained in the notes to the Financial Statements of BTG Pactual, our 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 BTG Pactual and represents the consolidation of transactions from Banco BTG Pactual S.A. 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 materially 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 adjusted total operating expenses by adjusted total revenues.
Compensation ratio	It is computed by dividing the sum of adjusted bonus and salaries and benefits expenses by adjusted total revenues.
Effective income tax rate	It is computed by dividing the adjusted income tax and social contribution or (expense) by the adjusted income before taxes.
Net income per unit	Net income per unit for periods before 2Q 2012 represents the net income divided by total pro-forma number of units pre-offering. The total pro-forma number of units pre-offering considers the capital of Banco BTG Pactual comprised solely of units. Each pro-forma unit is comprised of 3 different classes of shares of Banco BTG Pactual 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 net income by the average shareholders' equity. We determine the average shareholders' equity based on the initial and final net equity for the quarter. For 4Q 2016, initial equity is adjusted for ECTP distribution.
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

KPIs and Ratios	Description
	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 shareholders' equity.

Selected Financial Data

Balance Sheet (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			2Q 2017 % change to	
	2Q 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017
Assets					
Cash and bank deposits	12,808	900	1,049	-92%	17%
Interbank investments	34,488	26,190	29,726	-14%	13%
Marketable securities and derivatives	63,166	44,801	39,599	-37%	-12%
Interbank transactions	1,960	1,997	1,860	-5%	-7%
Loans	40,319	10,163	11,125	-72%	9%
Other receivables	42,886	33,096	29,560	-31%	-11%
Other assets	266	222	198	-25%	-11%
Permanent assets	7,528	7,802	5,996	-20%	-23%
Total assets	203,420	125,171	119,113	-41%	-5%
Liabilities					
Deposits	55,175	8,763	8,537	-85%	-3%
Open market funding	22,493	31,609	32,801	46%	4%
Funds from securities issued and accepted	13,994	8,946	8,942	-36%	0%
Interbank transactions	6	7	3	-46%	-51%
Loans and onlendings	6,709	3,755	3,902	-42%	4%
Derivatives	31,055	15,198	13,371	-57%	-12%
Subordinated liabilities	8,044	7,296	6,797	-15%	-7%
Other liabilities	44,769	30,990	26,386	-41%	-15%
Deferred income	146	137	156	7%	14%
Shareholders' equity	20,882	18,338	18,079	-13%	-1%
Non-controlling interest	146	134	138	-6%	3%
Total liabilities	203,420	125,171	119,113	-41%	-5%

Adjusted Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			2Q 2017 % change to		Year to Date		6M 2017 % change to
	2Q 2016	1Q 2017	2Q 2017	2Q 2016	1Q 2017	6M 2016	6M 2017	6M 2016
Investment Banking	80	152	19	-76%	-87%	142	172	21%
Corporate Lending	276	155	289	5%	86%	482	444	-8%
Sales & Trading	1,144	586	154	-87%	-74%	2,934	740	-75%
Asset Management	130	107	107	-17%	0%	312	214	-31%
Wealth Management	563	87	89	-84%	2%	1,790	176	-90%
Principal Investments	(67)	113	(32)	n.a.	n.a.	(294)	81	n.a.
Participations	(46)	76	(112)	n.a.	n.a.	(86)	(35)	n.a.
Interest & Others	571	384	335	-41%	-13%	915	720	-21%
Total revenues	2,650	1,661	851	-68%	-49%	6,195	2,512	-59%
Bonus	(352)	(204)	(65)	-82%	-68%	(852)	(269)	-68%
Salaries and benefits	(500)	(132)	(133)	-74%	0%	(1,069)	(265)	-75%
Administrative and other	(570)	(180)	(214)	-62%	19%	(1,121)	(394)	-65%
Goodwill amortization	(54)	(97)	(64)	18%	-34%	(109)	(161)	48%
Tax charges, other than income tax	(94)	(89)	(23)	-76%	-75%	(229)	(111)	-51%
Total operating expenses	(1,571)	(702)	(498)	-68%	-29%	(3,380)	(1,200)	-64%
Income before taxes	1,080	959	353	-67%	-63%	2,815	1,312	-53%
Income tax and social contribution	(77)	(239)	149	-295%	-162%	(804)	(90)	-89%
Net Income	1,003	720	503	-50%	-30%	2,012	1,223	-39%

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Banco BTG Pactual S.A.	
	1Q 2017	2Q 2017
Financial income	2,998	1,841
Financial expenses	(1,736)	(1,422)
Gross financial income	1,262	419
Other operating income (expenses)	(52)	(111)
Operating income	1,211	308
Non-operating income/(expenses)	(29)	7
Income before taxes and profit sharing	1,182	315
Income and social contribution taxes	(277)	246
Statutory profit sharing	(189)	(62)
Non-controlling interest	4	2
Net income	720	503

Selected Presentation Differences

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

	Adjusted Income Statement	Income Statement
Revenues	<ul style="list-style-type: none"> Revenues segregated by business unit, which is the functional view used by our management to monitor our performance 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 	<ul style="list-style-type: none"> Revenues are presented in accordance with BRGAAP and standards established by COSIF and IFRS 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 Revenues are presented without deduction of corresponding financial or transaction costs
Expenses	<ul style="list-style-type: none"> Revenues are net of certain expenses, such as trading losses, as well as transaction costs and funding costs Revenues are net of cost of funding of our net equity (recorded at "interest & others") SG&A expenses incurred to support our operations are presented separately 	<ul style="list-style-type: none"> Breakdown of expenses in accordance with COSIF Financial expenses and trading losses presented as separate line items and not deducted from the financial revenues with which they are associated Transactions costs are capitalized as part of the acquisition cost of assets and liabilities in our inventory SG&A expenses incurred to support our operations are presented separately in our income statement
Principal Investments Revenues	<ul style="list-style-type: none"> Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations Revenues are reduced by associated transaction costs and by management and performance fees paid 	<ul style="list-style-type: none"> Revenues included in different revenue line items (marketable securities, derivative financial income and equity pick-up up from subsidiaries) Losses, including trading losses and derivative expenses, presented as financial expenses
Sales & Trading Revenues	<ul style="list-style-type: none"> Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations Revenues deducted from transaction costs 	<ul style="list-style-type: none"> Revenues included in numerous revenue line items (marketable securities, derivative financial income, foreign exchange and compulsory investments) Losses, including trading losses, derivative expenses and funding and borrowings costs, presented as financial expenses
Corporate Lending Revenues	<ul style="list-style-type: none"> Revenues net of funding costs (including cost of net equity) 	<ul style="list-style-type: none"> Revenues included in certain revenue line items (credit operations, marketable securities and derivative financial income) Losses, including derivative expenses, presented as financial expenses
Banco Pan Revenues	<ul style="list-style-type: none"> Revenues consist of the equity pick-up from our investment, presented net of funding costs (including cost of net equity) 	<ul style="list-style-type: none"> Revenues from equity pick-up recorded as equity pickup from subsidiaries
Salaries and Benefits	<ul style="list-style-type: none"> Salaries and benefits include compensation expenses and social security contributions 	<ul style="list-style-type: none"> Generally recorded as personnel expenses
Bonus	<ul style="list-style-type: none"> Bonus include cash profit-sharing plan expenses (% of our net revenues) 	<ul style="list-style-type: none"> Generally recorded as employees' statutory profit-sharing
Administrative and Other	<ul style="list-style-type: none"> Administrative and Others are consulting fees, offices, IT, travel and entertainment expenses, as well as other general expenses 	<ul style="list-style-type: none"> Generally recorded as other administrative expenses, and other operating expenses
Goodwill amortization	<ul style="list-style-type: none"> Goodwill amortization of investments in operating subsidiaries other than merchant banking investments 	<ul style="list-style-type: none"> Generally recorded as other operating expenses
Tax charges, other than income tax	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Generally recorded as tax charges other than income taxes
Income tax and social contribution	<ul style="list-style-type: none"> Income tax and other taxes applicable to net profits 	<ul style="list-style-type: none"> 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 Adjusted income statement to the income statement or financial statements. The business units presented in the 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 Adjusted income statement contains data about the business, operating and financial results that are not directly comparable to the income statement or the financial statements and should not be considered in isolation or as an alternative to such income statement or financial statements. In addition, although our management believes that the Adjusted income statement is useful for evaluating our performance; the 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. – <i>Bolsa de Valores, Mercadorias e Futuros</i>).
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 2017

August 1st, 2017 (after market closes)

English Conference Call

August 2, 2017 (Wednesday)

12:00 AM (New York) / 13:00 (Brasília)

Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 08/08: +1 (412) 317-0088

Code: 10097703

Portuguese Conference Call

August 2, 2017 (Wednesday)

10:00 AM (New York) / 11:00 AM (Brasília)

Phone: +55 (11) 3193-8000 / +55 (11) 2188-0155

Code: BTG Pactual

Replay until 08/08: +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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