

# BTG Pactual – Earnings Release

## Fourth Quarter 2016

February 14, 2017

### Highlights

Rio de Janeiro, Brazil, February 14<sup>th</sup>, 2017 - Banco BTG Pactual (“Banco”) 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\$997.5 million and combined net income of R\$652.3 million for the quarter ended December 31, 2016. For the full year of 2016, combined adjusted total revenues were R\$8,730.6 million, and combined net income was R\$3,324.7 million.

Net income per unit, and annualized return on average shareholders’ equity (ROAE<sup>1</sup>) of BTG Pactual, were R\$0.70 and 12.7%, respectively, for the quarter ended December 31, 2016, and R\$3.59 and 15.5%, respectively, for the year ended on such date.

As of December 31, 2016, total assets for BTG Pactual were R\$120.9 billion, a 6% decrease when compared to September 30, 2016. The BIS capital ratio for Banco BTG Pactual was 21.5%.

### BTG Pactual Financial Summary and Key Performance Indicators<sup>(1)</sup>

Highlights and KPIs (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			Year to Date	
	4Q 2015	3Q 2016	4Q 2016	2015	2016
Total revenues	3,518	1,526	997	10,086	8,731
Operating expenses	(1,898)	(861)	(530)	(5,076)	(4,783)
Of which fixed compensation	(579)	(437)	(131)	(1,386)	(1,637)
Of which variable compensation	(514)	147	(105)	(1,600)	(814)
Of which non compensation	(805)	(571)	(294)	(2,090)	(2,332)
<b>Net income</b>	<b>1,229</b>	<b>661</b>	<b>652</b>	<b>4,616</b>	<b>3,325</b>
Net income per unit (R\$)	1.06	0.71	0.70	3.98	3.59
<b>Annualized ROAE</b>	<b>22.0%</b>	<b>11.2%</b>	<b>12.7%</b>	<b>22.4%</b>	<b>15.5%</b>
Cost to income ratio	54%	56%	53%	50%	55%
<b>Shareholders' equity</b>	<b>22,511</b>	<b>23,876</b>	<b>20,371</b>		
BIS Capital Ratio (Banco BTG Pactual only)	15.5%	16.4%	21.5%		
Total assets (in R\$ Billion)	266.1	128.6	120.9		
AuM and AuA (in R\$ Billion)	192.5	115.9	115.7		
WuM (in R\$ Billion)	426.5	295.3	73.7		

Note

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

<sup>1</sup> In order to calculate the ROAE for 4Q 2016, the initial equity is adjusted for ECTP’s distribution

## Performance BTG Pactual

For 4Q 2016, we achieved an annualized ROAE of 12.7% and net income of R\$652.3 million. In the quarter, revenues were down 35% and net income remained stable, when compared to 3Q 2016. When compared to 4Q 2015, revenues decreased 72% and net income decreased 47%, respectively, mainly given the deconsolidation of BSI and ECTP.

During 4Q 2016, we delivered good results in (i) Investment Banking, especially in DCM and M&A, (ii) Wealth Management, with positive NNM and (iii) Corporate Lending, where we maintained credit spreads and adequate levels of provision. The positive revenues were partially compensated by weaker Principal Investments revenues.

Our operating expenses reached R\$530.1 million, a 38% decrease when compared to 3Q 2016, mainly attributable to the cost reduction program we successfully implemented and to the effects of BSI's and ECTP's transactions. Consequently, in the quarter our cost to income ratio was 53.1% and our compensation ratio was 23.6%. For the FY 2016 our cost income ratio was 54.8% and our compensation ratio was 28.1%.

As a result, our net income reached R\$652.3 million in 4Q 2016 and R\$3,324.7 for the full year 2016, down 1% when compared to 3Q 2016 and 28% when compared to FY 2015. When excluding ECTP and BSI from both years, net income decreased 14% in 2016. In the quarter, we recorded a positive impact from income taxes of R\$185.0 million, while for FY 2016 our tax expenses were R\$623.0 million.

Our shareholders' equity decreased 15% from R\$23,9 billion at the end of 3Q 2016 to R\$20,4 billion at the end of 4Q 2016, mainly given the effects of ECTP's distribution and already taking into account the R\$890 million interest on equity distributed to shareholders. When compared to the end of 4Q 2015, our shareholders' equity decreased 10%, mainly due to the same effects. Basel index for Banco BTG Pactual was 21.5% in the quarter.

BTG Pactual's AuM and AuA ended 4Q 2016 at R\$115.7 billion, stable when compared to end of 3Q 2016, and WuM for BTG Pactual ended the period at R\$73.7 billion, a 5% increase when compared to 3Q 2016.

## Segregation of Units

The respective Boards of Directors of Banco and BTGP have approved two new unit programs comprised exclusively of securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by Banco (the "BPAC11 Units"), and (ii) units to be traded under the "BBTG12" ticker symbol, comprised of one Brazilian depository receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by BTGP (the "BBTG12 Units"), as detailed in the material fact released on this date. The new unit programs represent a new alternative trading structure for the securities issued by the Companies to be traded in an independent manner. The companies' respective boards of directors understand that the trading structure of the New Unit Programs is better suited for the current reality of the Companies and is in line with their repositioning process. In this context, we present below a brief description individual for Banco and BTGP.

## Performance Banco BTG Pactual S.A. ("Banco")

For 4Q 2016, Banco BTG Pactual had revenues of R\$1,021.7 million and net income of R\$679.8 million, achieving an annualized ROAE of 15.1%. For the FY 2016, revenues and net income were R\$8,797.1 million and R\$3,408.6, respectively, and annualized ROAE was 18.2%.

During the quarter, Banco had a solid performance especially from our private and corporate client businesses. In Investment Banking, we continued to deliver strong results, especially in DCM and M&A. Our Wealth Management business had positive NNM for the second consecutive quarter, registering growth in WuM and revenues. Asset Management had positive NNM in Fixed income and equities funds, which have been presenting top tier performance in the industry. Our Corporate Lending business continues to perform well, with stable spreads and adequate levels of provision.

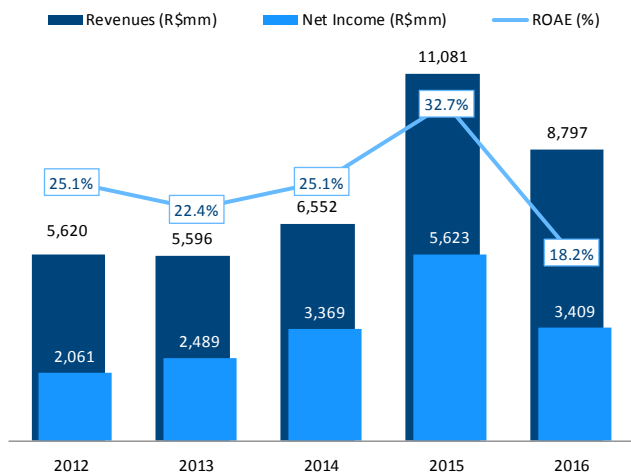
Operating expenses reached R\$526.9 million in 4Q 2016, a 10% decrease, already taking into account the effects of BSI and ECTP, when compared to 3Q 2016, mainly attributable to the cost reduction program we successfully implemented. Consequently, in the quarter our cost to income ratio was 50.4% and our compensation ratio was 22.3%. For the full year 2016 cost income ratio was 53.5% and our compensation ratio was 27.4%

As a result, net income reached R\$679.8 million in 4Q 2016 and R\$3,408.6 for the full year 2016, down 5% when compared to 3Q 2016 and 39% when compared to full year 2015, mainly due to (i) the effects of the recognition of deferred tax assets, related to the rise in tax rate in 2015, (ii) ECTP's distribution and (iii) deconsolidation of BSI. In the quarter, we recorded a positive impact from income taxes of R\$185.0 million, while for FY 2016 our tax expense was R\$623.0 million.

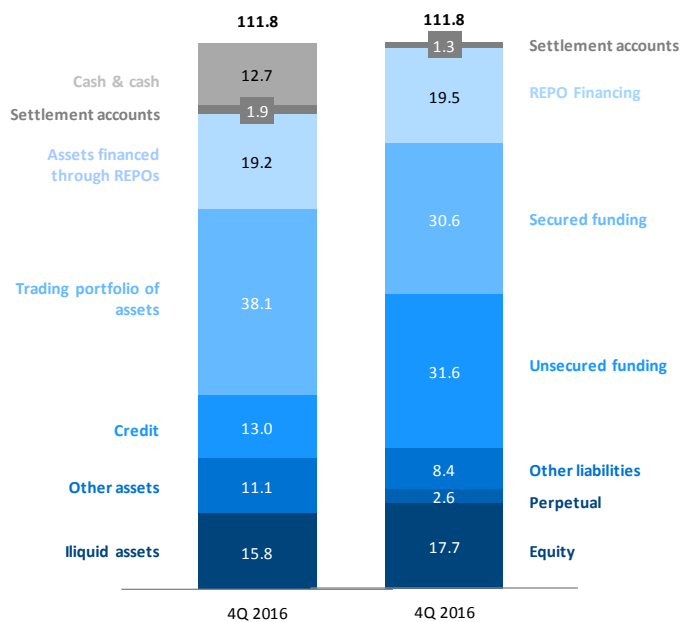
Our shareholders' equity decreased 17% from R\$21,3 billion at the end of 3Q 2016 to R\$17.7 billion at the end of 4Q 2016, mainly given the effects of ECTP's distribution and already taking into account the R\$890 million interest on equity distributed. When compared to the end of 4Q 2015, our shareholders' equity decreased 10%. Basel index for Banco was 21.5% in the quarter

Assuming that 100% of units' holders voluntarily break up their BBTG11 unit into BPAC11 and BBTG12 units, the total theoretical number of units of Banco, would be 926,155,137 units, its book value per unit would be R\$19.14.

**Revenues, Net Income and ROAE**  
(in R\$ million)



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



## Performance BTG Pactual Participations / BTG Investments (“BTGP”)<sup>2</sup>

For 4Q 2016, BTGP had negative revenues of R\$74.0 million and net loss of R\$77.2 million. Consequently, annualized ROAE was negative 12.3%. For FY 2016, revenues were R\$418.2 million with net income of R\$400.7 million consequently ROAE was 17.6%.

For 4Q 2016, negative revenues from BTGP are mainly related to losses in Global Markets and negative adjustments in private equity investments. The positive contribution for FY 2016 was mainly related to the positive mark to market of the position in corporate bonds issued by Banco BTG Pactual S.A.

BTGP assets mainly consists of: (i) Corporate bonds issued by Banco BTG Pactual S.A., (ii) Loan to BTG Pactual partners and (iii) Private Equity legacy portfolio. Regarding the private equity legacy portfolio, the main assets are (a) a corporate loan to União de Lojas Leader, (b) equity investment and loan in BR Pharma, (c) BR Pec, an agricultural business company and (d) B&A a former joint venture to explore mining. These assets are in most cases going through restructuring processes. BTGP also carries other private equity assets, mainly via investment funds such as, Bodytech, CCRR and UOL, among other small investments.

BTGP operating expenses are historical low. For the 4Q 2016 was R\$3.2 million and for the full year 2016 R\$17.4 million.

Assuming that 100% of units’ holders voluntarily break up their BBTG11 unit into the individual BPAC11 and BBTG12 units, the total theoretical number of units of BTGP, would be 926,155,137 units, and its book value per unit would be R\$2.65.

### BTGP pro-forma Balance Sheet

(in R\$ million)

<b>Assets</b>	<b><u>6,927.5</u></b>	<b>Liabilities + Equity</b>	<b><u>6,927.5</u></b>
Cash & Equivalents	7.7	Financial Liabilities	4,405.5
Merchant Banking	2,809.0	- Financial Institutions	1,962.8
BTG Pactual Bonds	1,723.1	- Medium Term Notes	2,442.6
Global Markets	161.0	Derivatives	3.7
Loans and Receivables	2,206.8	Other Liabilities	61.1
- Loans to Partners	2,119.6		
- Others	87.2		
Other assets	19.9	Shareholders Equity	2,457.2

<sup>2</sup> BTGP owns through its wholly-owned subsidiary BTG Holdco a stake corresponding to 29.28% of BTG Investments capital. BTG Investments equity is held by BTGP as an investment portfolio at fair value in accordance with IFRS10 and substantially represents BTGP’s equity. And includes some intercompany eliminations.

## Relevant Events

In November 2016, BTG Pactual, together with its joint venture partner, has entered into a definitive Sale and Purchase agreement to sell 100% of its equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. BTG Pactual does not expect any material gains or losses arising from the transaction. On February 2017, the sale of Maybrooke, the holding company of Ariel Re, was completed.

In October 2015, the Bank sold one of its energy trading entities, and, in December, 2016, repurchased it. The completion of the repurchase transaction is still subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

In November 2016, the Bank has entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of defaulted corporate loan portfolios. The completion of the acquisition is still subject to regulatory approvals.

## Global Market and Economic Analysis

Last year was marked by several surprises on the political side across the globe. The main events were the election of Donald Trump for President of the United States and the “Brexit” victory in the UK. In the financial market, the equity and commodities prices posted a solid increase overall, while the interest rate and the exchange rate markets were mixed.

In 4Q 2016, more specifically, the economic activity in the developed economies accelerated on the back of the easing in financial conditions. On the inflation front, the increase in commodities prices, in part, due to the acceleration in the economic activity and in part due to the OPEC’s decision to cut the oil production led to a rise in inflation expectations. The oil price (WTI), for instance, rose 12% in 4Q 2016. As a result of a stronger economic growth and higher inflation, the yield curve in developed market started to rise in the beginning of October. The election of Donald Trump in the US (November) intensified this movement on the perspective that a potential fiscal stimulus would boost the GDP growth in that economy.

In the equity market, the S&P 500 rose 3% in Q4 2016 (9% in 2016), the DAX index in Germany rose 9% in Q4 (7% in 2016) and the Nikkei index rose 16% (flat in 2016). In Latin America, the equity prices rose 3% in Mexico (13% in 2016), declined 3% in Chile (or +6% in 2016), 1% in Colombia (17% in 2016) and 3% in Brazil (39% in 2016). In Brazil, the significant valuation of the asset prices in 2016 is explained by the reduction in the risk premium associated with the perspective and approval of structural reforms.

On the rates market, the 10-year Treasury Yield in the US rose 88 basis points (bp) in Q4 2016 (and 21bp in 2016), mainly after the US election in November, due to the upward revisions for the GDP growth and inflation. In Germany, the 10-year yield rose 37bp in Q4 (or -35bp in 2016) and, in Japan, 13bp (or -23bp in 2016). In Brazil, however, the DI contract expiring on January 25th declined another 24bp (or -528bp in 2016) due to the approval of the spending cap measure that is necessary to stabilize the debt in the next decade. In Chile, the 10-year swap rate rose 6bp (-62bp in 2016), in Colombia, it rose 12bp (-85bp in 2016) and Mexico it rose 155bp (or 156bp in 2016). The sharp increase in the Mexican yield curve reflects the depreciation of the currency, which led the Central Bank to increase the interest rate by 100bp in Q4.

On the FX market, the dollar index (DXY) appreciated after the US election on the expectations of a stronger US economy. The Japanese Yen depreciated 13.4% in Q4 2016 against the USD (or +2.8%, appreciation, in 2016), the EUR depreciated 6.4% (or -3.2%, depreciation, in 2016), the Mexican Peso depreciated 6.5% (or -17% in 2016), the Chilean Peso declined 2% (or +5.5% in 2016) and the Colombian Peso 4%. On the other hand, the BRL appreciated 0.4% (or +22% in 2016) due to the approval of the spending cap measure. Another highlight of the year was the GBP (British Pound) which depreciated 16.3% in 2016 against the dollar due to the Brexit. In January, part of the dollar appreciation against the major currencies was reverted as the Federal Reserve (US Central Bank) signaled that they would remain cautious regarding the pace of interest hikes due to the uncertainty around the economic policies.

In Brazil, after the approval of the spending cap bill in congress in December 2016, the focus has shifted to voting the social security reform. Even if few amendments to the original proposal are likely to be accepted, the government seems to be in a position to implement key changes to the social security system.

On the economic activity front, after contracting for seven consecutive quarters, GDP likely fell again in 4Q16. Recent indicators suggest economic activity will stabilize at the turn of the year. The monetary easing cycle, initiated in October, coupled with the ongoing inventory adjustment cycle and the latest improvement in confidence indicators are welcome news.

On inflation, the 12-month IPCA print continues heading south, having ended 2016 at 6.3% y/y versus 10.7% in the previous year. That said, fundamentals still signal strong disinflation ahead. Market consensus for 2017 IPCA inflation has fallen in recent months, and now stands close to the target (as per the BCB’s Focus report).

Finally, on the external sector, the current account deficit totaled US\$23.5bn (1.3% of GDP) in 2016, less than half the 2015 print (-US\$58.9bn). Going forward, we expect the current account improvement to lose force, while the financial account should perk up on the back of government efforts to adjust the economic policy mix.





## Combined Adjusted Revenues

Revenues in 4Q 2016 decreased 35% when compared to 3Q 2016 and 72% when compared to 4Q 2015. On lower revenues mainly due to (i) the BSI transaction and (ii) ECTP's distribution to shareholders. Starting 4Q 2016, we are presenting our strategic investments under the Participations line item. These investments include our share of profits/losses of our stakes in; Banco Pan, Pan Seguros, Pan Corretora, Ariel Re, EFG and ECTP.

Combined Adjusted Revenues (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2016 % change to		Year to Date		2016 % change to
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016	2015	2016	2015
Investment Banking	114	110	115	1%	4%	383	367	-4%
Corporate Lending	128	218	177	38%	-19%	985	877	-11%
Sales & Trading	2,287	(416)	238	-90%	n.a.	5,212	2,924	-44%
Asset Management	386	114	113	-71%	-1%	1,252	540	-57%
Wealth Management	846	534	85	-90%	-84%	1,455	2,411	66%
Principal Investments	(773)	273	(138)	n.a.	n.a.	(1,178)	(594)	n.a.
Participations	21	(2)	(24)	n.a.	n.a.	6	(113)	n.a.
Interest & Others	510	695	432	-15%	-38%	1,971	2,320	18%
<b>Total revenues</b>	<b>3,518</b>	<b>1,526</b>	<b>997</b>	<b>-72%</b>	<b>-35%</b>	<b>10,086</b>	<b>8,731</b>	<b>-13%</b>

## Investment Banking

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

BTG Pactual Announced Transactions (unaudited)	Number of Transactions <sup>(1),(3)</sup>			Value <sup>(2),(3)</sup> (US\$ mln)		
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016	4Q 2016
Financial Advisory (M&A) <sup>(4)</sup>	18	6	4	9,030	4,088	1,115
Equity Underwriting (ECM)	1	5	4	59	240	1,688
Debt Underwriting (DCM)	3	8	10	453	793	1,090

BTG Pactual Announced Transactions (unaudited)	Number of Transactions <sup>(1),(3)</sup>		Value <sup>(2),(3)</sup> (US\$ mln)	
	2015	2016	2015	2016
Financial Advisory (M&A) <sup>(4)</sup>	47	21	18,102	16,010
Equity Underwriting (ECM)	4	10	402	1,962
Debt Underwriting (DCM)	24	27	3,434	2,409

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 2016 market share highlights**

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

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

DCM: #5 in transactions volumes in Brazil

**4Q 2016 vs. 3Q 2016**

Investment Banking revenues increased 4%, from R\$110.2 million in 3Q 2016 to R\$114.9 million in 4Q 2016. The increase was mainly attributable to significant increase in Debt Underwriting as a result of higher market activity partially compensated by lower Financial Advisory revenues in the quarter, yet still at good levels. In Equity Underwriting, our revenues remained stable.

**4Q 2016 vs. 4Q 2015**

Revenues in the quarter remained stable at R\$114.9 million when compared to R\$113.8 million in the same period of last year, with a similar revenue distribution, as described above.

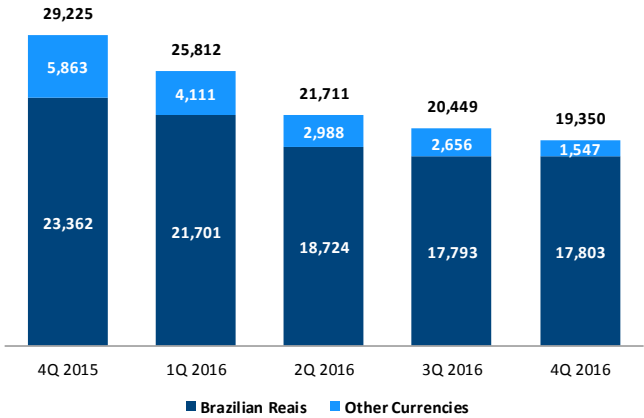
**2016 vs. 2015**

Revenues from Investment Banking decreased 4% in 2016 at R\$367.1 million, when compared to 2015 at R\$382.8 million. DCM revenues increased in 2016 when compared to 2015, in line with the increase in market activity. In the other hand, revenue decreased in Financial Advisory and in ECM revenues had a marginal decrease.

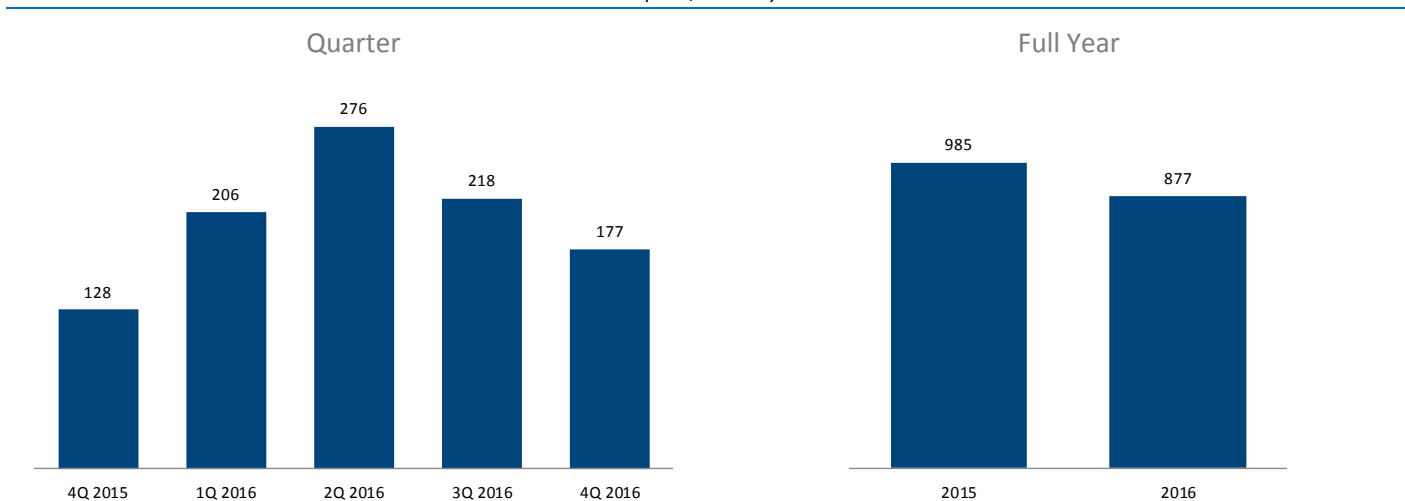
### Corporate Lending

At quarter end, our Corporate Lending book decreased 5%, mainly as a consequence of early prepayments and maturity of certain letter of credits. There was no significant credit line disbursed in the period.

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



### Revenues (in R\$ million)



#### 4Q 2016 vs. 3Q 2016

Revenues from Corporate Lending decreased 17% from R\$217.6 million in 3Q 2016 to R\$176.7 million in 4Q 2016, mainly impacted by higher provisions in our corporate lending portfolio. Our spreads continue to be in line with our historical average and credit quality remain intact.

#### 4Q 2016 vs. 4Q 2015

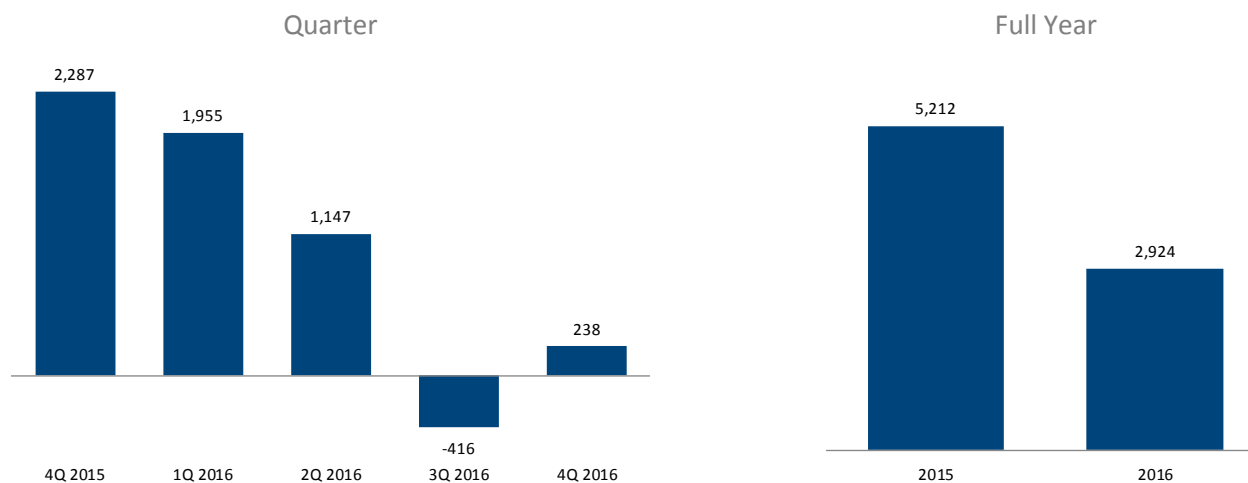
Revenues from Corporate Lending increased 38%, from R\$128.1 million to R\$176.7 million, mainly due to one-off increase in allowance for loan losses in 4Q 2015 to reflect potential liquidity discount in the period, partially offset by the sale of Recovery in 4Q 2015.

#### 2016 vs. 2015

Corporate Lending revenues decreased 11% in 2016 at R\$876.6 million, when compared to 2015 at R\$984.7 million. The decrease in revenues is in line with the 44% decrease in the average balance of the Corporate Lending portfolio partially compensated by the one-off increase in allowance for loan losses towards the end of 2015, as explained above.

## Sales & Trading

### Revenues (in R\$ million)



#### 4Q 2016 vs. 4Q 2016

Sales & Trading revenues were R\$238.3 million in 4Q 2016 compared to negative R\$416.3 million in 3Q 2016, as an effect of ECTP's under performance in the previous quarter. The results in 4Q 2016 were mainly driven by the good performance of the Brazilian energy and Rates desks, partially compensated by weaker performance of Equities and FX desks.

#### 4Q 2016 vs. 4Q 2015

Sales & Trading revenues decreased from R\$2,286.7 million to R\$238.3 million. When excluding ECTP's contribution from 4Q 2015, revenues would have decreased 82%, mainly attributable to very strong performance from our Rates and FX desks that had significant revenue contribution in 4Q 2015.

#### 2016 vs. 2015

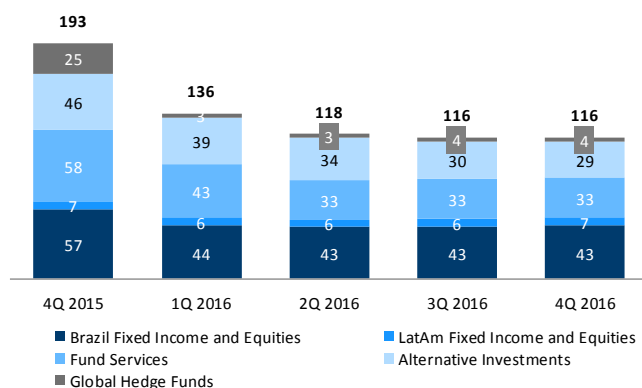
Sales and Trading revenues decreased from R\$5,211.5 million in 2015 to R\$2,923.8 million in 2016. When excluding ECTP's impact for 2015 revenues would have remained stable, on higher revenues from our equities desks in 2016, partially compensated by weaker revenues from FX desk.

### Asset Management

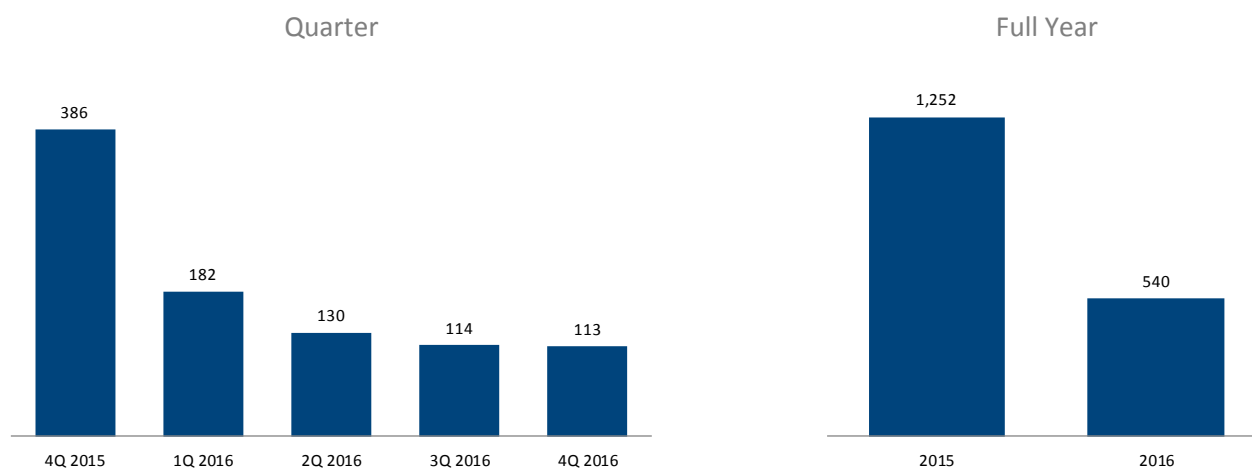
At quarter end, our Assets under Management and Assets under Administration remained stable at R\$115.7 billion in 4Q 2016 compared to R\$115.9 billion in 3Q 2016. Net new money was negative R\$2.0 billion in the quarter, of which R\$2.5 billion are related to redemptions requests received in fund services and administration, mostly related to alternative investments funds. On the other hand, we had positive net new money in our Brazil Fixed Income and Equities funds.

#### AuM & AuA by Asset Class

(in R\$ billion)



### Revenues (in R\$ million)



#### 4Q 2016 vs. 3Q 2016

Asset Management revenues remained stable at R\$113.2 million in 4Q 2016 compared to R\$114.4 million in 3Q 2016. Revenues in both quarters reflect mainly management fees, and in line ROA's.

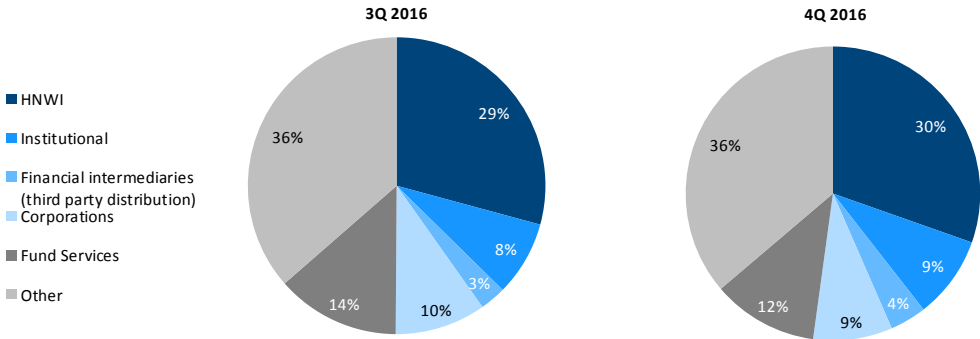
#### 4Q 2016 vs. 4Q 2015

Asset Management revenues decreased 71% from R\$385.6 million in 4Q 2015 to R\$113.2 million in 4Q 2016. The decrease was mainly attributable to (i) recognition of performance fees concentrated in LatAm Fixed Income and Equities and Global Hedge funds in the 4Q 2015 and (ii) 40% reduction of AuM / AuA in the current period.

#### 2016 vs. 2015

Asset Management revenues decreased 57% from R\$1,252.2 million in 2015 to R\$539.6 million in 2016. The decrease is mainly attributable to the 43% decrease in the average AuM / AuA and to lower recognition of performance fees during 2016.

### AuM and AuA by Type of Client (%)

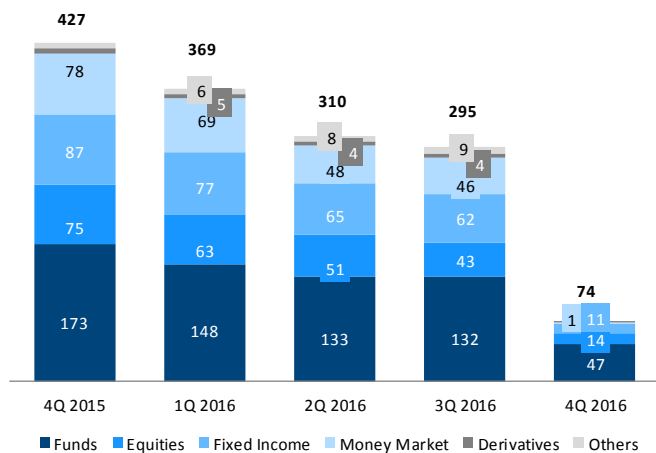




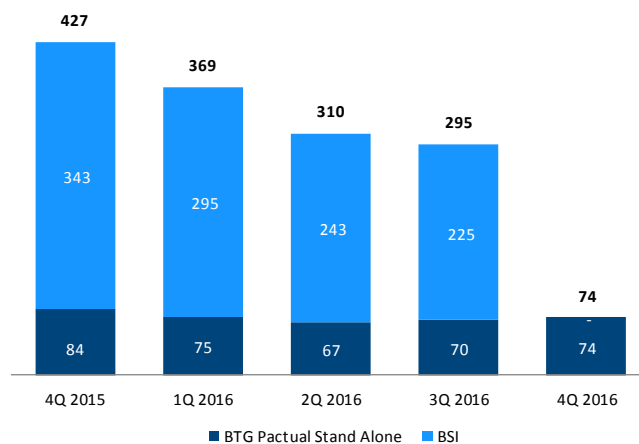
### Wealth Management

At quarter end, Wealth under Management for BTG Pactual stand-alone increased 5% from R\$70.4 billion in 3Q 2016 to R\$73.7 billion in 4Q 2016. Net New Money was positive R\$2.4 billion.

**WuM by Class of Asset**  
(in R\$ billion)

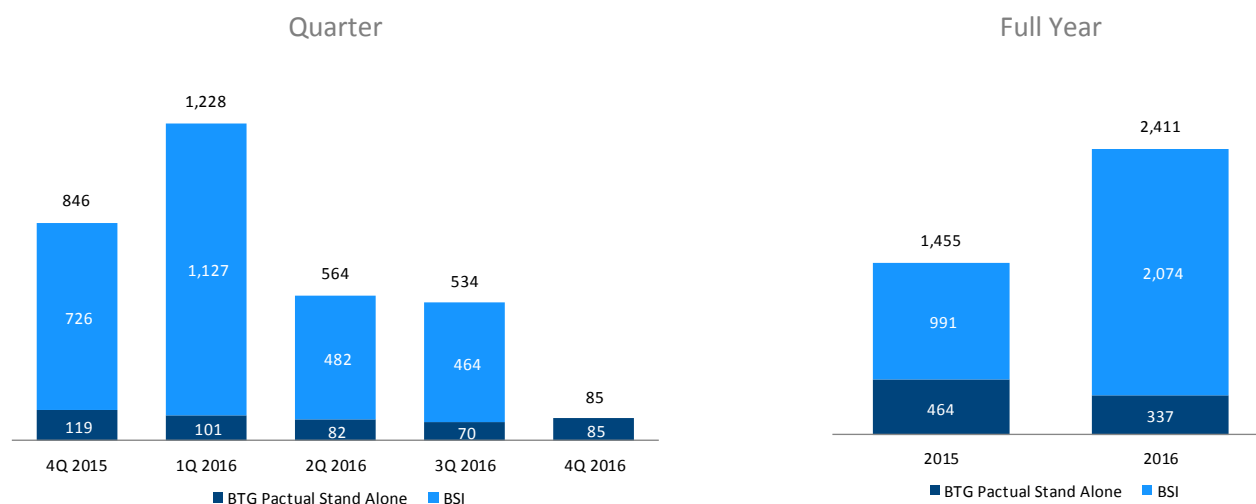


**WuM breakdown**  
(in R\$ billion)



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

### Revenues<sup>(1)</sup> (in R\$ million)



(1) Includes BSI from September 1<sup>st</sup> 2015 onwards – a one-month impact for the 3Q 2015, and a full impact from 4Q 2015 onwards.

#### 4Q 2016 vs. 3Q 2016

Wealth Management revenues for BTG Pactual stand-alone increased 21% from R\$69.8 million in 3Q 2016 to R\$85.3 million in 4Q 2016. Revenue increase mainly reflects (i) higher trading volumes in the quarter, especially in FX (ii) increase in product distribution fees and (iii) lower credit provisions.

#### 4Q 2016 vs. 4Q 2015

Revenues from Wealth Management of BTG Pactual stand-alone decreased 29%, from R\$119.3 million to R\$84.4 million. The decrease was mainly due to (i) the 12% reduction in WuM, impacting fees from the distribution of investment funds and (ii) higher credit provisions in 4Q 2016.

#### 2016 vs. 2015

Revenues from Wealth Management of BTG Pactual stand-alone revenues decreased 28% from R\$464.2 million in 2015 to R\$337.5 million in 2016. The decrease is mainly attributable to the 21% decrease in the average wealth under management.

## Principal Investments

Principal Investments Revenues (preliminary and unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2016 % change to		Full Year		2016 % change to
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016	2015	2016	2015
Global Markets	5	(27)	(34)	n.a.	n.a.	(79)	(239)	n.a.
Merchant Banking	(571)	328	(45)	n.a.	n.a.	(684)	(188)	n.a.
Real Estate	(207)	(28)	(59)	n.a.	n.a.	(415)	(167)	n.a.
<b>Total</b>	<b>(773)</b>	<b>273</b>	<b>(138)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>(1,178)</b>	<b>(594)</b>	<b>n.a.</b>

### 4Q 2016 vs. 3Q 2016

Principal Investments had losses of R\$138.2 million in 4Q 2016, compared to gains of R\$273.3 million in 3Q 2016.

In the quarter, Global Markets and Real Estate had negative contribution mainly driven by internal funding cost allocation. In Merchant Banking, we recorded losses of R\$45.4 million primarily driven by positive valuation adjustments in certain oil and gas investments, compensated by negative mark to market of certain energy investments, and also impacted by the internal funding cost allocation.

### 4Q 2016 vs. 4Q 2015

Revenues from Principal Investments varied from losses of R\$772.5 million in 4Q 2015 to losses of R\$138.2 million in 4Q 2016. The change mainly reflects (i) significant provisions in Merchant Banking during 4Q 2015, concentrated in investments in the oil and gas and retail sector and (ii) impairment of Real Estate investments and negative contribution from BR Properties in 4Q 2015.

### 2016 vs. 2015

Principal Investments had losses of R\$594.3 million in 2016 compared to losses of R\$1,177.8 million in 2015. The change in revenues was mainly due to negative contribution from Global Markets in 2016 partially compensated by significant losses in Merchant banking and Real Estate in 2015, as explained above.

## Participations

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

### 4Q 2016 vs. 3Q 2016

In Participations we posted negative revenue contribution of R\$24.5 million in 4Q 2016 composed of (i) negative R\$11 million from Pan Seguros and Pan Corretora, (ii) negative R\$5 million from Ariel Re and (iii) negative R\$8 million from ECTP, which includes effects on changes to our stake. In 3Q 2015, Pan posted negative revenues of R\$2 million.

#### 4Q 2016 vs. 4Q 2015

Participations revenues were negative R\$24.5 million as explain above. In 4Q 2015 Pan posted positive revenues of R\$20.6 million composed of (i) R\$ 13.7 million from our share in Banco Pan and (ii) R\$6.9 million from Pan Seguros and Pan Corretora

#### Interest & Others

##### 4Q 2016 vs. 3Q 2016

Interest & Others revenues were R\$431.8 million in 4Q 2016, compared to R\$695.2 million in 3Q 2016. The decrease is mainly attributable to (i) the 15% decrease in our shareholders' equity given the distribution of ECTP to shareholders' and (ii) the decrease in average interest rate from 14.25% to 13.75% in the period. Revenues are composed of the average interest rate of the Central Bank of Brazil applied to our equity.

##### 4Q 2016 vs. 4Q 2015

Revenues from Interest & Others decreased 18% in the period, mainly due to (i) 10% decrease of our shareholders' equity in the period mainly as a result of the ECTP transaction, and (ii) the decrease in the average interest rate applied to our equity, as explained above.

##### 2016 vs. 2015

Interest and Others revenues increased 18% from R\$1,971.5 million in 2015 to R\$2,319.7 million in 2016 mainly due to (i) the 9% increase in the average shareholders' equity for the period and (ii) the increase in the average interest rate applied.

## Combined Adjusted Operating Expenses

Combined Adjusted Operating Expenses (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2016 % change to		Year to Date		2016 % change to
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016	2015	2016	2015
Bonus	(514)	147	(105)	-80%	-171%	(1,600)	(814)	-49%
Salaries and benefits	(579)	(437)	(131)	-77%	-70%	(1,386)	(1,637)	18%
Administrative and other	(651)	(399)	(190)	-71%	-52%	(1,450)	(1,717)	18%
Goodwill amortization	(57)	(50)	(85)	50%	71%	(209)	(244)	17%
Tax charges, other than income tax	(97)	(123)	(19)	-80%	-84%	(430)	(371)	-14%
<b>Total operating expenses</b>	<b>(1,898)</b>	<b>(861)</b>	<b>(530)</b>	<b>-72%</b>	<b>-38%</b>	<b>(5,076)</b>	<b>(4,783)</b>	<b>-6%</b>
Cost to income ratio	54%	56%	53%	-1%	-6%	50%	55%	9%
Compensation ratio	31%	19%	24%	-24%	24%	30%	28%	-5%
Total number of employees	5,378	4,726	2,197	-59%	-54%	5,378	1,971	-63%
Partners and associate partners	239	234	230	-4%	-2%	239	230	-4%
Employees <sup>(1)</sup>	4,950	4,242	1,741	-65%	-59%	4,950	1,741	-65%
Other	189	250	226	20%	-10%	189	226	20%

Note:

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

### Bonus

Bonus expense was R\$104.7 million in 4Q 2016, compared to positive R\$147.1 in 3Q 2016 and R\$514.1 in 4Q 2015. In 3Q 2016 Bonus reversion happened in ECTP due to the significant under performance. For the full year 2016 bonus expense was R\$814.1 million compared to R\$1,600.2 million in 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 70% when compared to 3Q 2016 and 77%, when compared to 4Q 2015. Expenses related to salaries and benefits were R\$579.0 million in 4Q 2015 and R\$437.0 million in 3Q 2016, compared to R\$131.0 million in 4Q 2016. Excluding BSI's and ECTP impact, costs would have decreased 1% when compared to 3Q 2016 and 54% when compared to 4Q 2015, expenses related to salaries and benefits would have been R\$286.5 million in 4Q 2015 and R\$133.2 million in 3Q 2016. For the full year 2016, staff costs were R\$1,637.4 million compared to R\$1,385.7 million in the previous year. Excluding the effects of BSI and ECTP in both years, staff costs would have decreased 13% from 2015 to 2016.

### Administrative and other

Total administrative and other expenses decreased 52%, from R\$399.0 million in 3Q 2016 to R\$189.9 million in 4Q 2016; excluding BSI and ECTP impact expenses would have increased 24%, mainly due to one-off legal fees related to transactions. When compared to 4Q 2015, there was a 71% decrease from R\$651.3 million to R\$189.8 million, and excluding BSI and ECTP's impact, a 42% decrease. For the full year 2016, administrative and others expenses were R\$1,717.1 million compared to

R\$1,450.1 million in 2015. Excluding the effects of BSI and ECTP in both years, staff costs would have decreased 4% from 2015 to 2016.

### Goodwill amortization

In the 4Q 2016 we recorded amortization expenses totaling R\$85.2 million, in connection with the goodwill from the acquisitions of Celfin and Bolsa y Renta and interest on EFG. Goodwill amortization increased 71% and 50% when compared to 3Q 2016 and the 4Q 2015, respectively, given the goodwill amortization from EFG, starting on November 2016.

### Tax charges, other than income tax

Tax charges, other than income tax, were R\$19.2 million, an 84% decrease when compared to 3Q 2016 as a smaller portion of our revenues were subject to tax charges in the period.

### Combined Adjusted Income Taxes

Combined Adjusted Income Tax (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			Year to Date	
	4Q 2015	3Q 2016	4Q 2016	2015	2016
Income before taxes	1,620	665	467	5,010	3,948
Income tax and social contribution	(391)	(4)	185	(394)	(623)
<b>Effective income tax rate</b>	<b>24.1%</b>	<b>0.6%</b>	<b>-39.6%</b>	<b>7.9%</b>	<b>15.8%</b>

Our effective income tax rate was -39.6% (representing an income tax gain of R\$185.0 million) mainly due to the (i) computation of interest on equity (JCP) in the 4Q 2016 and (ii) a more favorable revenues mix, with proportionally less revenues subject to corporate tax in the period. Our effective income tax rate was 0.6% (an expense of R\$4.3 million) in 3Q 2016, and 24.1% (an expense of R\$391.6 million) in the 4Q 2015. For the full year 2016 effective income tax rate was 15.8% (an expense of R\$623.0 million)

### Balance Sheet

Our total assets decreased 6%, from R\$128.6 billion at the end of 3Q 2016 to R\$120.9 billion at the end of 4Q 2016, mostly due to the reduction on trading portfolio and the ECTP's distribution, reducing Illiquid Assets. Our cash and cash equivalents were stable around R\$ 12.7 billion. In the other hand, assets financed through repos increased to R\$19.2 billion from R\$ 17.4 billion in the 3Q 2016. Our leverage ratio reduced to 5.9x.

On the liability side, there was a decrease in (i) unsecured funding, mainly due to the pre-payment of FGC credit line, and (ii) a decrease in derivative transactions, which were partially offset by, an increase on repo financing in line with the increase in our assets financed through repo as mentioned above.

Our shareholders' equity decreased 15%, from R\$23.9 billion at the end of 3Q 2016 to R\$20.4 billion at the end of 4Q 2016, mainly due to the impact of ECTP's distribution and by R\$890 million of interest on equity distributed to shareholders. These movements were partially offset by the net income of R\$652.3 million for the quarter ended December 31, 2016. Shareholders' equity was also impacted by R\$90 million from our stock repurchase program.

## Risk and Capital Management

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

### Market Risk – Value-at-risk<sup>3</sup>

Value-at-risk (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter		
	4Q 2015	3Q 2016	4Q 2016
<b>Total average daily VaR</b>	<b>172.2</b>	<b>134.1</b>	<b>137.8</b>
Average daily VaR as a % of average equity	0.77%	0.57%	0.67%

Our total average daily VaR marginally increased 3% when compared to 3Q 2016. The increase in the average daily VaR was mainly due to increase in Fixed Income LatAm and FX market risk exposure. Our market risk exposure remains at relatively low levels.

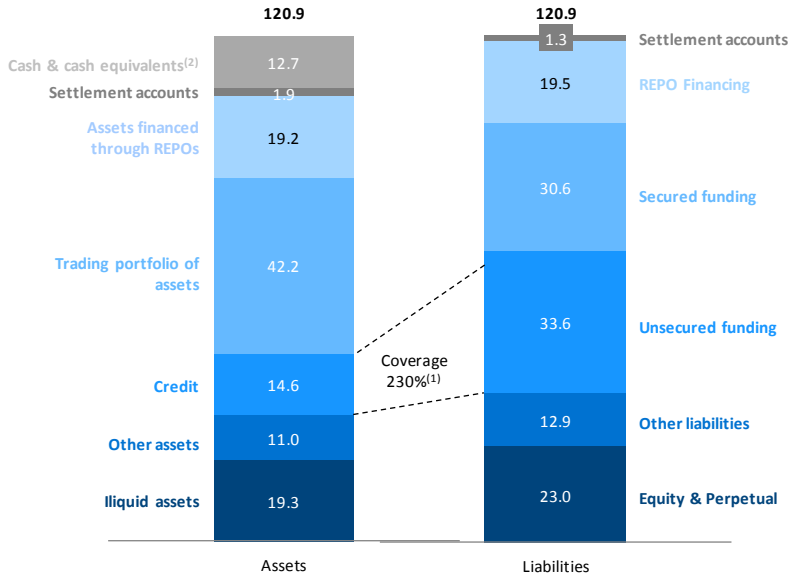
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<sup>3</sup> Includes BSI's VaR since September 15th 2015

**Liquidity Risk Analysis**

The chart below summarizes the composition of assets and liabilities as of December 31, 2016:

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



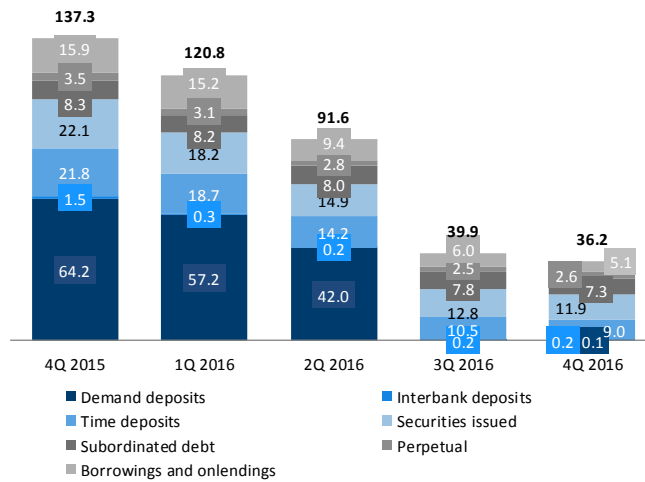
Note:  
(1) Excludes demand deposits from BTG Pactual stand alone



### 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 9%, from R\$39,9 billion in 3Q 2016 to R\$36,2 billion in 4Q 2016 mainly due to the early pre-payment of FGC credit line. Besides that, there was a reduction in several funding instruments.

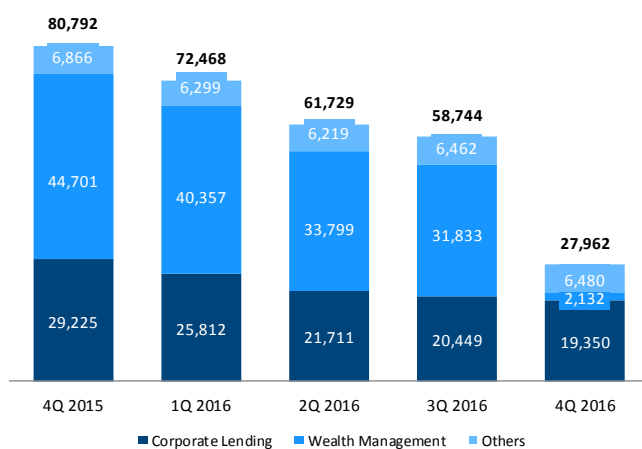
## BTG Pactual Broader Credit Portfolio

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, excluding BSI, decreased R\$0.9 billion, from R\$28.8 billion in 3Q 2016 to R\$28.0 billion in 4Q 2016. The decrease was mainly a consequence of prepayment transactions and credit amortizations performed in the quarter.

### Broader Credit Portfolio Breakdown By Area

(in R\$ million)

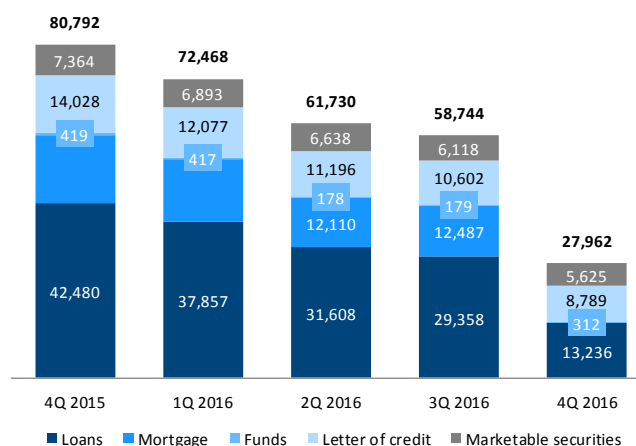


#### Notes:

- (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<sup>(1)</sup>

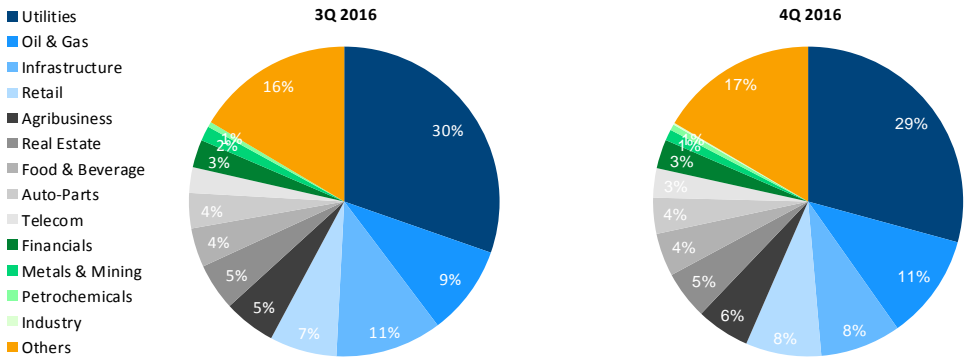
(in R\$ million)



#### 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 December 31, 2016. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

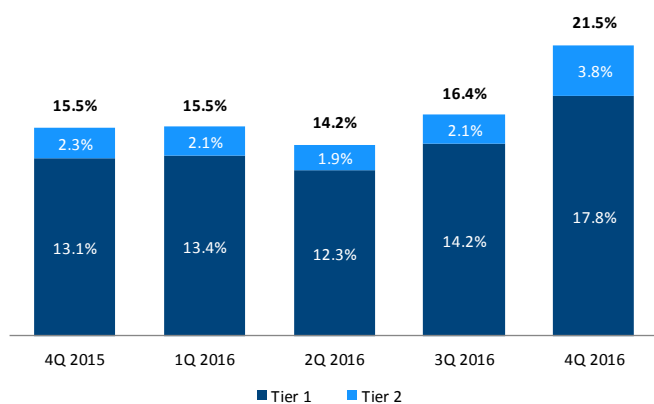
Rating (unaudited) (in R\$ million)	4Q 2016
AA	11,930
A	7,346
B	2,076
C	2,504
D	2,993
E	691
F	208
G	48
H	166
<b>Total</b>	<b>27,962</b>

## Capital Management

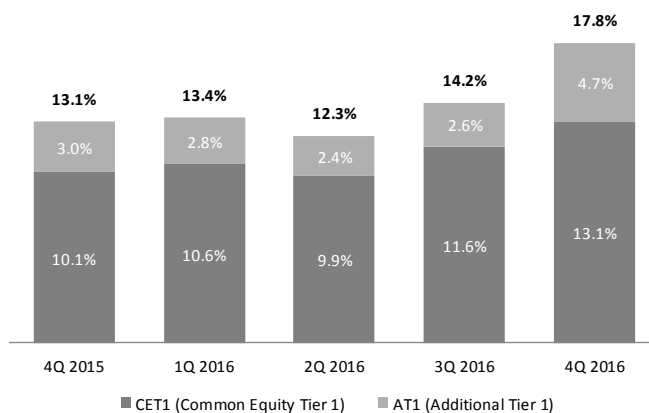
Banco BTG Pactual complies with standards of capital requirements established by the Brazilian Central Bank that are consistent to those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our Basel capital ratios, calculated in accordance with the Brazilian Central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

The Basel ratio increased to 21.5% at the end of 4Q 2016. The increase in Basel index reflects (i) a relevant decrease in credit risk, mainly due to the deconsolidation of BSI and (ii) the distribution of ECTP, which decreased the risk weighted assets related to commodities market risk. Partially offset by equity reduction given ECTP’s distribution.

**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. For 4Q 2016, initial equity is adjusted for ECTP distribution.

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) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2016 % change to	
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016
<b>Assets</b>					
Cash and bank deposits	20,491	577	674	-97%	17%
Interbank investments	32,587	25,178	20,753	-36%	-18%
Marketable securities and derivatives	86,822	43,664	44,423	-49%	2%
Interbank transactions	1,921	1,697	2,235	16%	32%
Loans	57,985	12,201	11,720	-80%	-4%
Other receivables	57,706	31,401	32,266	-44%	3%
Other assets	253	159	154	-39%	-3%
Permanent assets	8,317	13,714	8,641	4%	-37%
<b>Total assets</b>	<b>266,082</b>	<b>128,591</b>	<b>120,865</b>	<b>-55%</b>	<b>-6%</b>
<b>Liabilities</b>					
Deposits	86,008	9,209	7,683	-91%	-17%
Open market funding	20,308	22,820	24,904	23%	9%
Funds from securities issued and accepted	22,827	13,435	12,557	-45%	-7%
Interbank transactions	7	6	5	-29%	-19%
Loans and onlendings	15,877	10,531	9,586	-40%	-9%
Derivatives	42,366	13,632	9,645	-77%	-29%
Subordinated liabilities	11,842	7,794	7,269	-39%	-7%
Other liabilities	43,797	26,999	28,578	-35%	6%
Deferred income	310	149	142	-54%	-5%
<b>Shareholders' equity</b>	<b>22,511</b>	<b>23,876</b>	<b>20,371</b>	<b>-10%</b>	<b>-15%</b>
Non-controlling interest	229	140	125	-45%	-11%
<b>Total liabilities</b>	<b>266,082</b>	<b>128,591</b>	<b>120,865</b>	<b>-55%</b>	<b>-6%</b>

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



Combined Adjusted Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2016 % change to		Year to Date		2016 % change to
	4Q 2015	3Q 2016	4Q 2016	4Q 2015	3Q 2016	2015	2016	2015
Investment Banking	114	110	115	1%	4%	383	367	-4%
Corporate Lending	128	218	177	38%	-19%	985	877	-11%
Sales & Trading	2,287	(416)	238	-90%	n.a.	5,212	2,924	-44%
Asset Management	386	114	113	-71%	-1%	1,252	540	-57%
Wealth Management	846	534	85	-90%	-84%	1,455	2,411	66%
Principal Investments	(773)	273	(138)	n.a.	n.a.	(1,178)	(594)	n.a.
Participations	21	(2)	(24)	n.a.	n.a.	6	(113)	n.a.
Interest & Others	510	695	432	-15%	-38%	1,971	2,320	18%
<b>Total revenues</b>	<b>3,518</b>	<b>1,526</b>	<b>997</b>	<b>-72%</b>	<b>-35%</b>	<b>10,086</b>	<b>8,731</b>	<b>-13%</b>
Bonus	(514)	147	(105)	-80%	-171%	(1,600)	(814)	-49%
Salaries and benefits	(579)	(437)	(131)	-77%	-70%	(1,386)	(1,637)	18%
Administrative and other	(651)	(399)	(190)	-71%	-52%	(1,450)	(1,717)	18%
Goodwill amortization	(57)	(50)	(85)	50%	71%	(209)	(244)	17%
Tax charges, other than income tax	(97)	(123)	(19)	-80%	-84%	(430)	(371)	-14%
<b>Total operating expenses</b>	<b>(1,898)</b>	<b>(861)</b>	<b>(530)</b>	<b>-72%</b>	<b>-38%</b>	<b>(5,076)</b>	<b>(4,783)</b>	<b>-6%</b>
<b>Income before taxes</b>	<b>1,620</b>	<b>665</b>	<b>467</b>	<b>-71%</b>	<b>-30%</b>	<b>5,010</b>	<b>3,948</b>	<b>-21%</b>
Income tax and social contribution	(391)	(4)	185	-147%	-4385%	(394)	(623)	58%
<b>Net Income</b>	<b>1,229</b>	<b>661</b>	<b>652</b>	<b>-47%</b>	<b>-1%</b>	<b>4,616</b>	<b>3,325</b>	<b>-28%</b>

### 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) <i>(in R\$ million, unless otherwise stated)</i>	Banco BTG Pactual S.A.		BTG Investments LP.	
	3Q 2016	4Q 2016	3Q 2016	4Q 2016
<b>Assets</b>				
Cash and bank deposits	572	674	9	8
Interbank investments	25,178	20,753	-	-
Marketable securities and derivatives	36,768	37,486	8,850	8,700
Interbank transactions	1,697	2,235	-	-
Loans	9,421	9,513	2,780	2,207
Other receivables	31,519	32,315	38	9
Other assets	159	154	-	-
Permanent asset	13,714	8,641	-	-
<b>Total assets</b>	<b>119,028</b>	<b>111,772</b>	<b>11,677</b>	<b>10,924</b>
<b>Liabilities</b>				
Deposits	9,213	7,691	-	-
Open market funding	22,820	24,904	-	-
Funds from securities issued and accepted	11,312	10,336	2,436	2,443
Interbank transactions	6	5	-	-
Loans and onlendings	3,886	3,627	6,644	5,959
Derivatives	13,632	9,645	36	4
Subordinated liabilities	7,818	7,283	-	-
Other liabilities	28,738	30,286	11	61
Deferred income	149	142	-	-
<b>Shareholders' equity</b>	<b>21,314</b>	<b>17,727</b>	<b>2,550</b>	<b>2,457</b>
Non-controlling interest	140	125	-	-
<b>Total liabilities</b>	<b>119,028</b>	<b>111,772</b>	<b>11,677</b>	<b>10,924</b>

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Banco BTG Pactual S.A.		BTG Investments LP.	
	3Q 2016	4Q 2016	3Q 2016	4Q 2016
Financial income	2,673	2,398	407	(731)
Financial expenses	(2,057)	(1,916)	(75)	265
<b>Gross financial income</b>	<b>616</b>	<b>483</b>	<b>332</b>	<b>(466)</b>
Other operating income (expenses)	(192)	(101)	(2)	(12)
<b>Operating income</b>	<b>425</b>	<b>381</b>	<b>330</b>	<b>(478)</b>
Non-operating income/(expenses)	78	378	-	-
<b>Income before taxes and profit sharing</b>	<b>503</b>	<b>759</b>	<b>330</b>	<b>(478)</b>
Income and social contribution taxes	5	86	-	-
Statutory profit sharing	175	(165)	-	-
Non-controlling interest	<b>35</b>	<b>0</b>	-	-
<b>Net income</b>	<b>717</b>	<b>680</b>	<b>330</b>	<b>(478)</b>

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) <i>(in R\$ million, unless otherwise stated)</i>	Balance Sheet		Income Statement	
	3Q 2016	4Q 2016	3Q 2016	4Q 2016
Banco BTG Pactual - BR GAAP	119,028	111,772	717	680
BTG Investments - IFRS	11,677	10,924	330	(478)
Total	130,705	122,695	1,047	202
Conversion adjustments from IFRS to BR GAAP	-	-	(1)	(8)
Consolidation and conversion adjustments	(2,114)	(1,830)	(385)	459
<b>Combined balances</b>	<b>128,591</b>	<b>120,865</b>	<b>661</b>	<b>652</b>

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

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. – <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 - Fourth Quarter 2016

February 14<sup>th</sup>, 2017 (after market closes)

### English Conference Call

**February 15, 2017 (Wednesday)**

10:00 AM (New York) / 13:00 PM (Brasília)

Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 22/02: +1 (412) 317-0088

Code: 10097699

### Portuguese Conference Call

**February 15, 2017 (Wednesday)**

08:00 AM (New York) / 11:00 AM (Brasília)

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

Code: BTG Pactual

Replay until 22/02: +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](http://www.btgpactual.com/ir)

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

### Investor Relations

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