

Banco BTG Pactual – Earnings Release

Fourth Quarter 2017

February 27, 2018

Highlights

Rio de Janeiro, Brazil, February 27, 2018 - Banco BTG Pactual S.A. (“Banco”) and its respective subsidiaries, (“BTG Pactual”) (B3: BPAC11) today reported total revenues of R\$1,370.2 million and adjusted net income of R\$744.5 million for the quarter ended December 31, 2017. For the full year of 2017, adjusted total revenues were R\$5,527.5 million, and adjusted net income was R\$2,948.9 million.

Adjusted Net income per unit, and annualized adjusted return on average shareholders’ equity (“Annualized ROAE”) of BTG Pactual, were R\$0.84 and 16.0%, respectively, for the quarter ended December 31, 2017, and R\$3.32 and 16.3%, respectively, for the year ended on such date

As of December 31, 2017, the total assets of BTG Pactual were R\$126.6billion, a 11% increase when compared to September 30, 2017. The BIS capital ratio of BTG Pactual was 18.0%.

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	
	4Q 2016	3Q 2017	4Q 2017	2016	2017
Total revenues	1,022	1,645	1,370	8,797	5,527
Net income	680	501	660	3,409	2,384
Adjusted Net income	680	759	744	3,409	2,949
Adjusted Net income per unit (R\$)	0.74	0.85	0.84	3.70	3.32
Annualized ROAE	15.1%	16.5%	16.0%	18.2%	16.3%
Cost to income ratio	51.6%	42.9%	54.4%	54.2%	48.0%
Shareholders' equity	17,727	18,609	18,524		
Total Number of Shares (# in '000)	2,760,775	2,681,602	2,665,919		
Number of Theoretical Units (# in '000)	920,258	893,867	888,640		
Book Value per unit (R\$)	19.3	20.8	20.8		
BIS Capital Ratio	21.5%	17.3%	18.0%		
Total assets (in R\$ Billion)	111.8	113.7	126.6		
AuM and AuA (in R\$ Billion)	115.7	136.8	144.9		
WuM (in R\$ Billion)	73.7	84.4	86.9		

Note

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

(1) For 4Q 2016 no adjustment was made between the net income and adjusted net income.

Performance BTG Pactual - BPAC11

In 4Q 2017, we achieved an annualized ROAE of 16.0% and adjusted net income of R\$744.5 million. For the full year 2017, we had an annualized ROAE of 16.3% and adjusted net income of R\$2,948.9 million

In the quarter, revenues were down 17% when compared to 3Q 2017, due to the strong Sales and Trading performance in 3Q 2017. Despite that, in 4Q 2017, we continued to have a solid revenue contribution from Sales and Trading. In Investment Banking we had strong results from all business lines. Our Asset and Wealth Management businesses increased revenues and AuM / WuM, with very strong NNM in Asset Management. In Corporate Lending revenues decreased as a result of higher provisions. In Principal Investments we had negative revenues from our global markets investments, especially in our equities GDM strategies in Europe and USA. Finally, in Interest and Others, revenues remained stable, and in Participations we had negative results driven by our investment ECTP, partially compensated by results in Banco Pan.

Our operating expenses reached R\$746.0 million, a 6% increase when compared to 3Q 2017, mostly attributable to (i) non-recurring legal expenses detailed below, and (ii) an increase in tax charges other than income tax, partially compensated by a decrease in goodwill amortization. As a result, cost to income ratio was 54.4% and our compensation ratio was 27.2% for the period. When adjusted for non-recurring items and goodwill, cost income ratio was 45.0%. For the full year 2017 cost income ratio was 48.0% and our compensation ratio was 23.1%. When adjusted for non-recurring items and goodwill, cost income ratio was 38.0% in 2017.

As a result, our adjusted net income reached R\$744.5 million in 4Q 2017, stable when compared to 3Q 2017 and a 10% increase when compared to 4Q 2016. For the full year 2017, adjusted net income reached R\$ 2,948.9 million, a 13% decrease when compared to full year 2016.

Our shareholders' equity remained stable at R\$18.5 billion at the end of 4Q 2017 compared to R\$18.6 billion at the end of 3Q 2017, already considering the R\$609 million interest on equity distributed to shareholders. When compared to the end of 4Q 2016, our shareholders' equity increased 4%, also taking into account the R\$1.2 billion interest on equity distributed to shareholders during the year. Basel index was 18.0% in the quarter ended December 2017 and our liquidity coverage ratio ("LCR") was 146%.

AuM and AuA ended 4Q 2017 at R\$144.9 billion, a 6% increase when compared to end of 3Q 2017, and WuM for BTG Pactual ended the period at R\$86.9 billion, a 3% increase when compared to 3Q 2017.

Adjusted Net Income and ROAE (unaudited)	4Q 2017 Accounting	Non Recurring Items & Goodwill	4Q 2017 Adjusted	2017 Adjusted
Investment banking	144.2		144.2	403.6
Corporate lending	162.5		162.5	790.1
Sales and trading	690.9		690.9	2,389.0
Asset management	169.2		169.2	494.3
Wealth management	98.4		98.4	368.7
Principal investments	(88.9)		(88.9)	15.1
Participations	(6.5)		(6.5)	21.8
Interest and other	200.3		200.3	1,127.2
Total revenues	1,370.2	-	1,370.2	5,609.8
Bonus	(241.2)		(241.2)	(754.8)
Salaries and benefits	(131.7)		(131.7)	(529.4)
Administrative and other	(250.4)	75.4	(174.9)	(614.6)
Goodwill amortization	(53.8)	53.8	-	-
Tax charges, other than income tax	(69.0)		(69.0)	(244.0)
Total operating expenses	(746.0)	129.2	(616.9)	(2,142.8)
Income before taxes	624.1	129.2	753.3	3,467.0
Income tax and social contribution	36.2	(45.1)	(8.9)	(518.1)
Net Income	660.4	84.1	744.5	2,948.9
Annualized ROAE	14.2%		16.0%	16.3%

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

Non-Recurring Items & Goodwill

Administrative and Others: Mainly related to legal expenses from BSI legal cases in total of R\$65 million and one-off legal expenses of R\$10 million in BTG Pactual

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

Relevant Events

Banco canceled a total amount equivalent to USD300 million in Senior 2020 bonds and USD350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Additionally, on October 2017 Banco repurchased USD390 million of its perpetual bond - Tier 1 Capital.

On December 2017, Banco BTG Pactual issued a USD500MM Senior 2023 bond.

On October 2017, Banco acquired NPL assets sold by Banco BVA as a result of its extrajudicial liquidation, for a consideration of R\$211 million.

On November 2017, Banco Pan approved a capital increase in the amount of R\$ 400 million. CaixaPar assigned to Banco its rights to subscribe the capital increase; and has entered into call/put options over 50% of the capital increase. The Shareholders Agreement of Banco Pan S.A. will not be modified hence CaixaPar and BTG Pactual remain as co-controllers of Banco Pan. During January 2018, the capital increase was realized by BTG Pactual.

Global Market and Economic Analysis

Global growth surprised on the upside in Q4 2017, intensifying a trend initiated in the previous quarter. The main surprises were observed in developed economies, driven by vibrant manufacturing and evidence of rising investment, and have accompanied by upward revisions of consensus growth estimates for the coming years as well. Forecast revisions for the American economy were largely fueled by rising expectations of Congress approving an ambitious tax reform with a pro-growth bias, which in fact occurred mid-December. These developments have favored rising energy and industrial commodity prices and have supported risk appetite in global financial markets in general. The S&P500 index appreciated 6.1% and the Nikkei 225 index rose 11.8% in the quarter.

Early November, president Trump nominated Jerome Powell to replace Janet Yellen as Fed chair once her term expired (early February 2018). As a member of the FOMC since 2012, Mr. Powell has embraced a centrist view to monetary policy, supporting Janet Yellen's approach of gradual policy normalization. The appointment was thus well received by financial markets. Meanwhile, US core CPI inflation continued to grind higher in the fourth quarter, further confirming that the low prints observed between March and July were a temporary phenomenon.

The mark up in US growth and inflation outlook favored a reassessment of market expectations for future Fed policy in favor of a tighter policy path, closing the gap vis-à-vis the FOMC median projections. The 2-year Treasury Bond yield ended the year at 1.89% pa, up from 1.49% pa at the closing of Q3. The longer term yields did not keep up with the short end of the curve, resulting in a flattening of the US yield curve. Short term government bond yields in other developed markets also decoupled from their US equivalent. Despite the resulting wider yield differentials between the US and other major economies in the short end, the Dollar Index (DXY) depreciated 1% in Q4, reflecting primarily a 1.6% appreciation of the EUR.

In Brazil, the government did not manage to make progress on the key item of its reform agenda – the pension reform bill. That said, the improved policy macro mix has continued to yield dividends, perhaps even more visible at the margin. So, inflation remained very low, interest rates were adjusted further down and there have been clearer signs of a stronger rebound of the economy. However, given the incomplete fiscal agenda, the electoral process will still be a major force in the coming quarters and uncertainty will probably last until the very end of the race.

On the economic activity front, we expect GDP to have advanced 0.2% q/q in 4Q17, leading to a 1% rise in 2017. Industry and services are expected to advance in 4Q, while agriculture/livestock – a bright spot in 2017 as a whole – should decline (q/q). Also, coincident indicators of consumption and investments indicate a good quarter for domestic demand, implying a benign composition for 4Q GDP. Looking forward, we see upside risks to our GDP growth expectation of 2.7% in 2018, as we keep seeing convincing signs that the economy is gradually recovering, supported by the lagged effects of the monetary easing cycle.

With respect to inflation, consumer prices finished 2017 at 2.95% y/y, accelerating from the trough of the year in August (2.5%) but still symbolically below the lower bound of the inflation target tolerance band (3%). Against this backdrop, and in response to anchored inflation expectations and a sizable output gap, the Central Bank's monetary policy committee (Copom) continued to cut the Selic benchmark interest rate, reaching 6.75%pa in early 2018. Going forward, inflation should accelerate this year, but convergence will probably be slow and the IPCA has high odds of finishing the year below 4%, still comfortably below the target (4.5%).

With respect to the external sector, the current account deficit improved a little further during the 4Q17. Such improvement continued to be explained by the increase of the 12-month trade surplus, which totaled US\$64bn in 4Q17 (vs US\$62bn in 3Q17). Looking at the main sources of financing, there was (i) an improvement in portfolio flows, with net outflows in the 3Q17 turning into net inflows in the 4Q17, (ii) a sizable contraction of direct investment and (iii) net issuance standing virtually flat. Finally, disbursements and amortizations stood flat in 4Q17, if compared to the negative contribution in 3Q17. In addition, the net outflows in all the remaining lines in the financial account increased from US\$46.5bn, on a 12-month window ending in 3Q17, to US\$49.5bn

by the end of 4Q17. Looking ahead, a recovery of economic activity should lead imports to advance, causing a gradual weakening of the current account in the coming quarters.

Finally, on the fiscal front, the consolidated public-sector deficit finished 2017 at R\$111 billion (-1.7% of GDP). The result contrasted favorably versus the accumulated deficit in 2016 (-R\$156 billion; -2.6% do PIB). Despite the positive surprise, it is too early to celebrate the lower-than-expected deficit. Revenue performance last year benefited from strong non-recurring flows and key reforms to curb mandatory spending growth are yet to approved. So, the fiscal scenario remains challenging, with risks of not fulfilling fiscal rules in the medium term. That said, the ongoing economic recovery suggests that meeting 2018 's target will be a more manageable task.

Consolidated Adjusted Revenues

Revenues in 4Q 2017 decreased 17% when compared to 3Q 2017 and increased 34% when compared to 4Q 2016. Year on year, revenues decreased 37% in 2017 mainly due to the ECTP and BSI transactions. Starting 4Q 2016, we began presenting results from our strategic investments under the Participations *pnI* line. These investments include our share of profits/losses of our stakes in: Banco Pan, Pan Seguros, Pan Corretora, EFG and ECTP.

Adjusted Revenues (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2017 % change to		Year to Date		2017 % change to
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017	2016	2017	2016
Investment Banking	115	51	144	26%	184%	367	367	0%
Corporate Lending	177	183	162	-8%	-11%	877	790	-10%
Sales & Trading	249	958	691	177%	-28%	2,817	2,389	-15%
Asset Management	113	103	169	50%	65%	540	486	-10%
Wealth Management	85	94	98	16%	5%	2,408	369	-85%
Principal Investments	(103)	23	(89)	n.a.	n.a.	(30)	15	n.a.
Participations	(24)	26	(7)	n.a.	n.a.	(113)	(16)	n.a.
Interest & Others	410	207	200	-51%	-3%	1,932	1,127	-42%
Total revenues	1,022	1,645	1,370	34%	-17%	8,797	5,527	-37%

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\$ mIn)		
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017	4Q 2017
Financial Advisory (M&A) ⁽⁴⁾	4	9	13	1,115	11,761	7,227
Equity Underwriting (ECM)	4	9	11	1,688	602	637
Debt Underwriting (DCM)	10	7	16	1,090	2,576	4,629

BTG Pactual Announced Transactions (unaudited)	Number of Transactions ^{(1),(3)}		Value ^{(2),(3)} (US\$ mIn)	
	2016	2017	2016	2017
Financial Advisory (M&A) ⁽⁴⁾	21	36	16,010	23,926
Equity Underwriting (ECM)	10	31	1,962	4,110
Debt Underwriting (DCM)	27	38	2,409	11,836

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 4Q 2017 market share highlights

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

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

4Q 2017 vs. 3Q 2017

On the 4Q 2017 investment banking had a solid performance and posted a revenue increase of 184% when compared to the 3Q 2017, achieving R\$144.2 million. The performance was particularly strong in all revenue lines, which posted significantly better performance than the previous quarter. Results from financial advisory were a factor of closing significant transactions in the backlog - market activity continue to present sound volumes and we maintained a leading market share -, and from equity and debt capital markets as a result of increased market activity.

4Q 2017 vs. 4Q 2016

Investment banking revenues increased 26% when comparing 4Q 2017 and 4Q 2016. The increase was basically driven by equity capital markets, and financial advisory and debt capital markets remained stable.

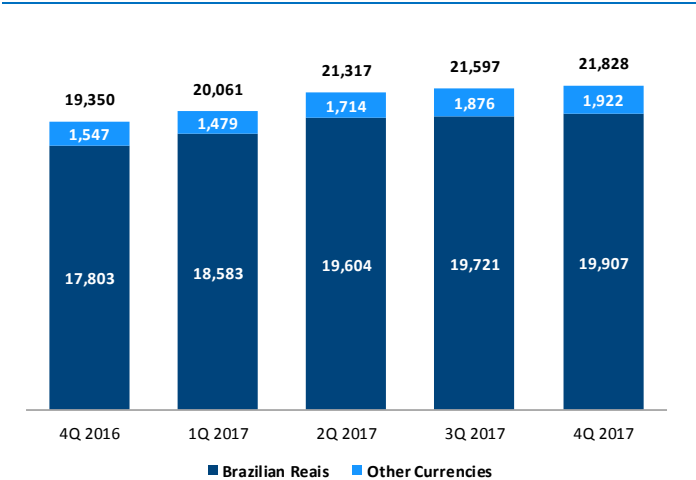
2017 vs. 2016

Investment banking revenues remained flat in 2017 when compared to 2016, and achieved R\$366.6 million. Despite of that, market activity presented a significant growth and we have maintained our leading market share across most of the products. Revenue performance was impacted by (i) the one-off fee devolution that occurred in the 2Q 2017 and (ii) backlog of announced transactions in financial advisory yet to close

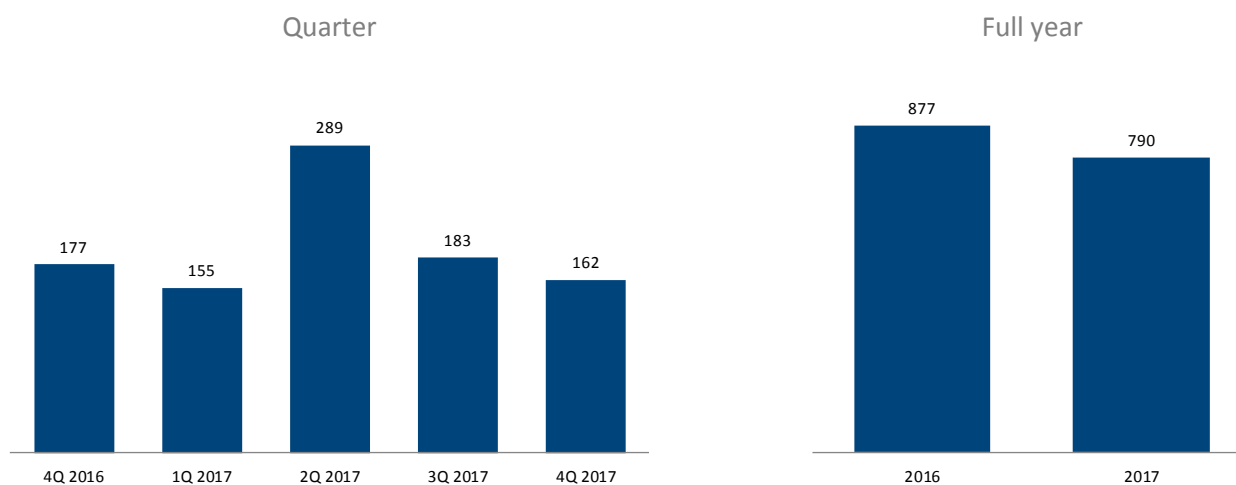
Corporate Lending

At quarter end our corporate lending book grew slightly, for the 3rd consecutive quarter, in line with our strategy to start balance sheet redeployment.

Corporate Lending Portfolio
(in R\$ million)



Revenues (in R\$ million)



4Q 2017 vs. 3Q 2017

Corporate lending revenues decreased 11% in 4Q 2017, when compared to 3Q 2017. Revenue decrease was mainly a factor of higher provisions in the quarter. Despite that factor, the credit book continues to maintain good asset quality with comfortable provisioning levels.

4Q 2017 vs. 4Q 2016

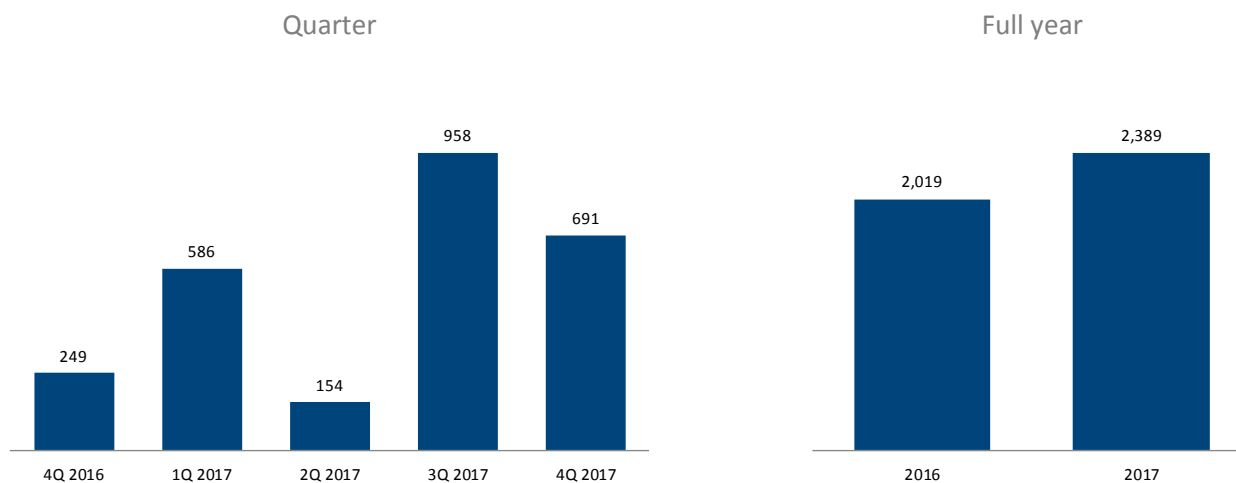
Corporate lending revenues decreased 8% in the 4Q 2017 when compared to the 4Q 2016. The revenue decrease was due to higher provisioning and lower revenues from the non-performing loans. The decrease was partially compensated by a slight increase in the average portfolio size, as average spreads remained stable.

2017 vs. 2016

Corporate lending 2017 revenues decreased 10% when compared to 2016. The decrease in revenues was mainly due to higher provisioning during the course of the year, lower revenues from our non-performing loans strategies, although still presenting adequate performance, and a slight reduction in the average portfolio size. Spreads remained stable in the period.

Sales & Trading

Revenues (in R\$ million)



4Q 2017 vs. 3Q 2017

Sales & Trading revenues were R\$690.9 million in the quarter, which represents a 28% decrease when compared to 3Q 2017. The revenue decrease was mainly due to lower performance from our Rates desk, when compared to the particularly strong performance in the previous quarter, and to the below par performance from our FX desk. On the other hand, Equities desks and brokerage commissions were higher than in the previous quarter.

4Q 2017 vs. 4Q 2016

Sales and Trading performance on the 4Q 2017 was significantly better than the same quarter of 2016, mainly due to the performance of our Equities desks and brokerage, which performed below par on the 4Q 2016.

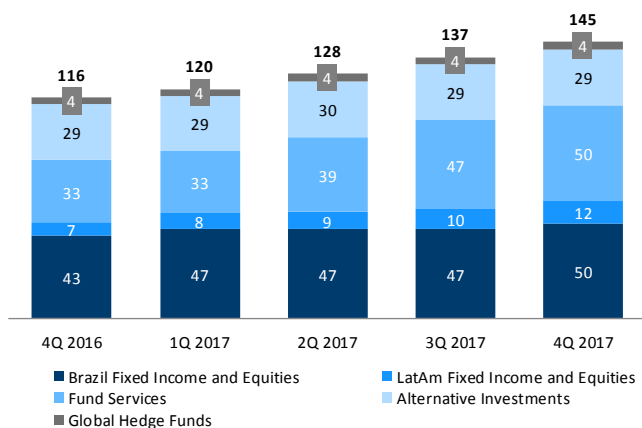
2017 vs. 2016

Sales & Trading revenues reached R\$2,389.0 million which represented a 18% increase when comparing to 2016 excluding ECTP's revenues, which was distributed to shareholders in the 3Q 2016. This was mainly a result of increase in revenues in Rates and Equities desks, while Energy desk presented a reduction.

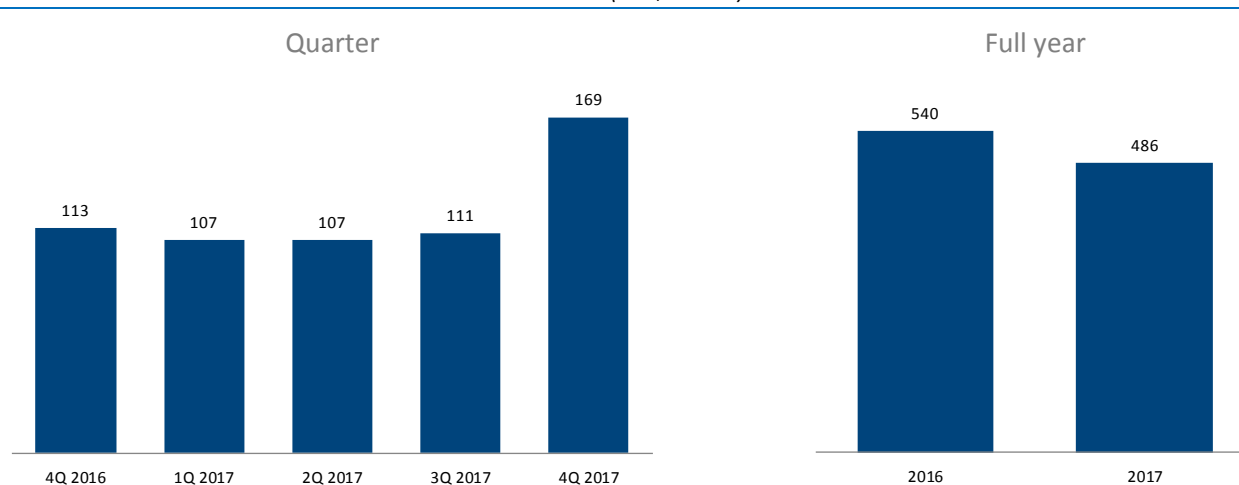
Asset Management

At quarter end, our Assets under Management and Assets under Administration increased 6%, to R\$144.9 billion in the 4Q 2017 versus R\$136.8 billion in 3Q 2017. We continued to receive significant inflows resulting in a positive net new money of R\$5.4 billion in the quarter. In 2017 our total net new money accounted for R\$15.6 billion.

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



Revenues (in R\$ million)



4Q 2017 vs. 3Q 2017

Asset management revenues grew 65% when comparing the 4Q 2017 to the 3Q 2017, reaching R\$169.2 million. The growth was mainly due to performance fees, mainly in LatAm's Fixed Income and Equities funds, and the increase in average AuM/AuA. Management fees over average assets under management also presented a slight increase when comparing both quarters.

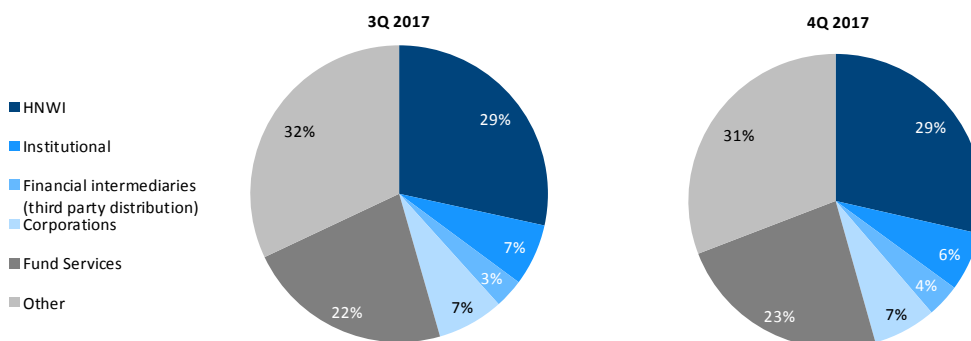
4Q 2017 vs. 4Q 2016

Asset management revenues increased 50% when compared to 4Q 2016. The growth was mainly due to performance fees and the increase in average AuM/AuA. Return over average assets under management when excluding performance fees decreased in the comparison.

2017 vs. 2016

Revenues from Asset Management decreased 10% in the yearly comparison due to the reduction in the average AuM/AuA from 2016 to 2017. Management fees as a percentage of AuM remained stable.

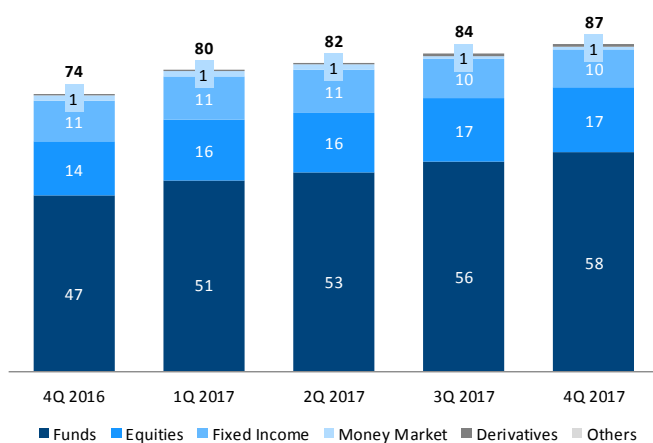
AuM and AuA by Type of Client (%)



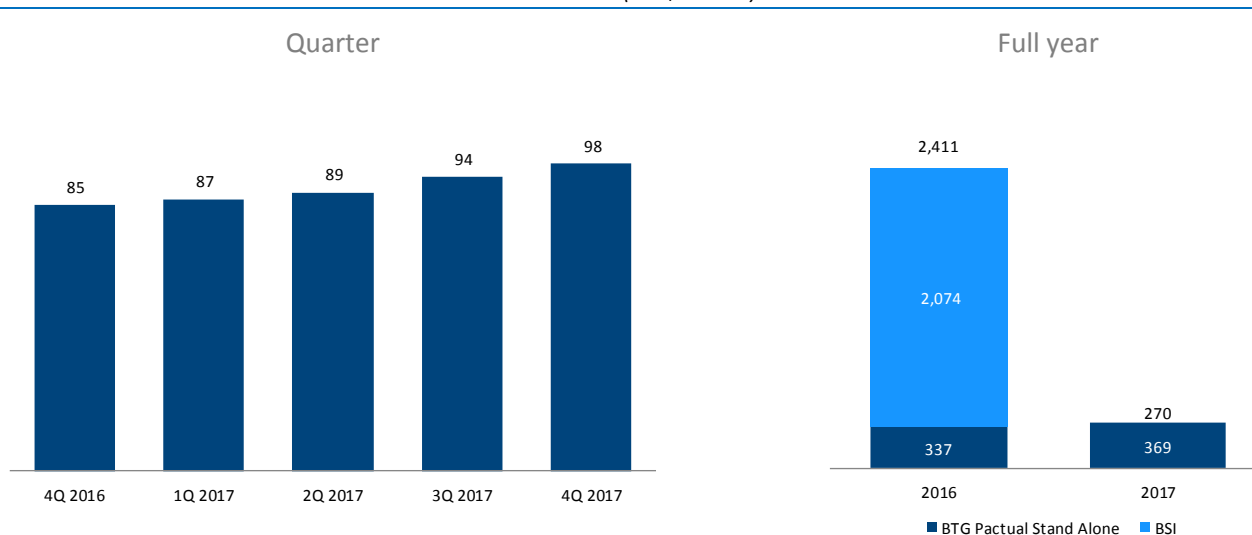
Wealth Management

At quarter end, our Wealth under Management increased 3% from R\$84.4 billion in 3Q 2017 to R\$86.9 billion in 4Q 2017. Net new money was negative R\$0.2 billion, reflecting mostly redemptions of custody assets. For the year, we had positive net new money of R\$4.0 billion and WuM growth was 18%.

WuM breakdown (in R\$ billion)



Revenues (in R\$ million)



4Q 2017 vs. 3Q 2017

Wealth Management revenues for BTG Pactual increased 5% from R\$94.0 million in 3Q 2017 to R\$98.4 million in the 4Q 2017. Revenue increase was in line with the 3% increase in WuM, as ROAs were stable in the period. Revenues increased mainly due to higher brokerage and trading spreads, partially compensated by slightly lower fees from investment funds.

4Q 2017 vs. 4Q 2016

Revenues from Wealth Management increased 16%, from R\$84.7 million in 4Q 2016 to R\$98.4 million in 4Q 2017, due to the 18% increase in the average WuM.

2017 vs. 2016

WuM and revenues grew 18% when compared to 2016, also due to the increase in average WuM in the period.

Principal Investments

Principal Investments Revenues (preliminary and unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2017 % change to		Full Year		2017 % change to
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017	2016	2017	2016
Global Markets	(77)	48	(43)	n.a.	n.a.	(118)	35	n.a.
Merchant Banking	24	(9)	(23)	n.a.	n.a.	227	53	-77%
Real Estate	(50)	(16)	(23)	n.a.	n.a.	(138)	(73)	n.a.
Total	(103)	23	(89)	n.a.	n.a.	(30)	15	n.a.

4Q 2017 vs. 3Q 2017

Our Principal Investments presented losses of R\$88.9 million in 4Q 2017, compared to gains of R\$22.6 million in 3Q 2017.

In the quarter, Global Markets had losses of R\$43 million, concentrated in mostly in equities GDM strategies. In Merchant Banking, we had positive equity pick up from investments, compensated by the internal funding cost allocation. In Real Estate we had no highlights and negative results were mainly driven by internal funding cost allocation.

4Q 2017 vs. 4Q 2016

Revenues from Principal Investments varied from R\$103.0 million losses in 4Q 2016 compared to losses of R\$88.9 million in 4Q 2017.

2017 vs. 2016

Principal Investments had gains of R\$15.1 million in 2017 compared to losses of R\$ 29.8 million in 2016 mainly due to our share of profits from investments in 2017, gains in our global market strategies and lower internal funding cost allocation

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.

4Q 2017 vs. 3Q 2017

In Participations we had losses of R\$6.5 million in 4Q 2017 composed of (i) R\$22.1 million gain from Banco Pan, (ii) R\$16.1 million gain from Pan Seguros and Pan Corretora, (iii) R\$1.2 million gains from EFG, and (iv) a R\$45.9 million loss from ECTP.

4Q 2017 vs. 4Q 2016

Participations revenues were losses of R\$6.5 million as noted above. In 4Q 2016 we had negative revenues of R\$24.5 million, which were related to Pan.

2017 vs. 2016

Participations revenues were losses of R\$15.5 million as noted above. In 2016 we had negative revenues of R\$67.7 million, which were related to Pan.

Interest & Others**4Q 2017 vs. 3Q 2017**

Interest & Others revenues were R\$200.3 million in 4Q 2017, compared to R\$207.0 million in 3Q 2017. Revenues are in line with the decrease in average interest rate from 8.25% to 7.00% in the period. Revenues are composed of the average interest rate of the Central Bank of Brazil applied to our equity.

4Q 2017 vs. 4Q 2016

Revenues from Interest & Others decreased 51% in the period, mainly due to the decrease in the average interest rate from 13.75% to 7.00% partially compensated by the 4% increase in shareholder's equity.

2017 vs. 2016

Revenues from Interest & Others decreased 42% in the period, mainly due to the decrease in the average interest rate from 13.75% to 7.00% partially compensated by the 4% increase in shareholder's equity

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2017 % change to		Year to Date		2017 % change to
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017	2016	2017	2016
Bonus	(102)	(236)	(241)	135%	2%	(806)	(746)	-7%
Salaries and benefits	(131)	(133)	(132)	0%	-1%	(1,637)	(529)	-68%
Administrative and other	(189)	(208)	(250)	32%	20%	(1,708)	(853)	-50%
Goodwill amortization	(85)	(65)	(54)	-37%	-17%	(244)	(280)	15%
Tax charges, other than income tax	(19)	(64)	(69)	259%	9%	(371)	(244)	-34%
Total operating expenses	(527)	(705)	(746)	42%	6%	(4,766)	(2,651)	-44%
Cost to income ratio	52%	43%	54%	6%	27%	54%	48%	-11%
Compensation ratio	23%	22%	27%	19%	21%	28%	23%	-17%
Total number of employees	1,971	2,027	2,037	3%	0%	1,971	2,037	3%
Partners and associate partners	230	214	241	5%	13%	230	241	5%
Employees	1,741	1,813	1,796	3%	-1%	1,741	1,796	3%

Bonus

Bonus expense was R\$241.2 million in 4Q 2017, compared to an expense of R\$235.8 million in 3Q 2017, and an expense of R\$102.5 million in 4Q 2016. For the full year 2017 bonus expense was R\$745.5 million compared to R\$805.8 million in 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 in the quarter when compared to 3Q 2017 and 4Q 2016. Expenses related to salaries and benefits were R\$131.0 million in 4Q 2016 and R\$133.2 million in 3Q 2017, compared to R\$131.7 million in 4Q 2017. For the full year 2017, staff costs were R\$529.4 million compared to R\$1,637.4 million in the previous year. Excluding the effects of BSI and ECTP in 2016, staff costs would have decreased 13% year on year.

Administrative and other

Total administrative and other expenses increased 20%, from R\$207.8 million in 3Q 2017 to R\$250.4 million in 4Q 2017, mainly impacted by one-off legal fees. When compared to 4Q 2016, there was a 32% increase from R\$189.0 million to R\$250.4 million, also related to higher one-off legal expenses. For the full year 2017, administrative and others expenses were R\$852.6 million compared to R\$1,707.9 million in 2016. Excluding the effects of BSI and ECTP in 2016, administrative and other expenses would have increased 14% year on year.

Goodwill amortization

In 4Q 2017 we recorded goodwill amortization expenses totaling R\$53.8 million, in connection with the acquisitions of Celfin, Bolsa y Renta and the EFG transaction. Goodwill amortization reduced 17% when compared to 3Q 2017 and 37% when compared to 4Q 2016, as goodwill amortization from Celfin ended in November 2017

Tax charges, other than income tax

Tax charges, other than income tax, were R\$69.0 million compared to R\$63.6 million in 3Q 2017 in line with the revenues in the period. For the full year 2017, tax charges, other than income tax, were R\$244.0 million compared to R\$370.7 million in 2016.

Adjusted Income Taxes

Adjusted Income Tax (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			Year to Date	
	4Q 2016	3Q 2017	4Q 2017	2016	2017
Income before taxes	495	940	624	4,032	2,876
Income tax and social contribution	185	(439)	36	(623)	(492)
Effective income tax rate	-37.4%	46.7%	-5.8%	15.5%	17.1%

Our effective income tax rate for the quarter was -5.8% (representing an income tax gain of R\$36.2 million) mainly due to (i) computation of interest on equity (JCP) in 4Q 2017 and (ii) a more favorable revenue mix, with proportionally less revenues subject to corporate tax gain in the period. Our effective income tax rate was 46.7% (an income tax expense of R\$438.9 million) in 3Q 2017, and -37.4% (an income tax gain of R\$185.0 million) in 4Q 2016. For the full year 2017, our effective income tax rate was 17.1% (representing an income tax expense of R\$492.3 million), in line with the effective income tax rate of 15.5% in the full year 2016.

Balance Sheet

Our total assets increased 11%, from R\$113.7 billion in 3Q 2017 to R\$126.6 billion at in 4Q 2017, mainly due to an increase in our foreign exchange portfolios, booked on a gross basis, and in our assets financed through repos, partially offset by a decrease in our pending settlement accounts. Also our cash and cash equivalents increased 6% in this quarter, and our leverage ratio increased to 6.8x from 6.1x in the previous quarter.

On the liability side, the foreign exchange portfolios and repo financing increased, both in line with the increase in our assets, as mentioned above. There was also a 3% increase in our unsecured funding. These movements were partially offset by a decrease in pending settlement accounts.

Our shareholders' equity slightly decreased, from R\$18.6 billion at the end of 3Q 2017 to R\$18.5 billion at the end of 4Q 2017, impacted by the distribution of R\$609 million of interest on equity, our stock repurchase program and by the net income of R\$ 660.4 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		
	4Q 2016	3Q 2017	4Q 2017
Total average daily VaR	141.3	129.7	120.3
Average daily VaR as a % of average equity	0.79%	0.71%	0.65%

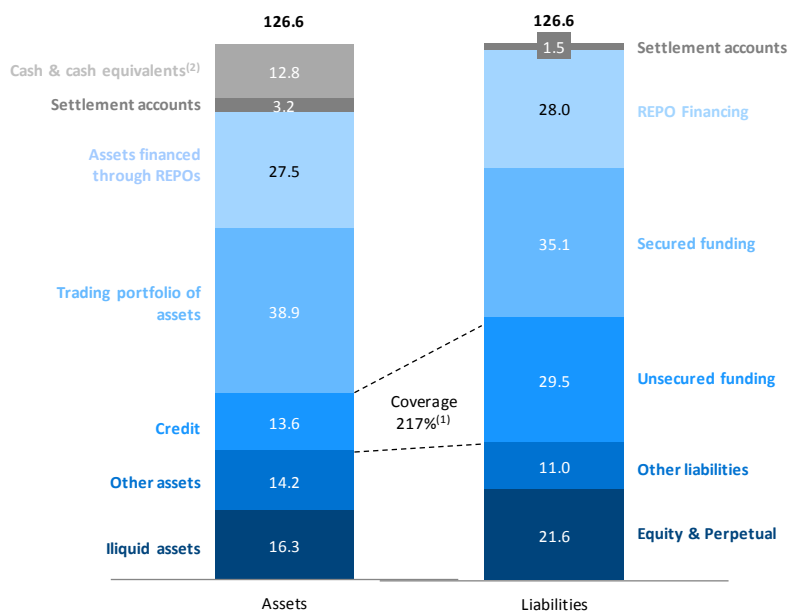
Our total average daily VaR decreased 7% when compared to 3Q 2017. The decrease in the average daily VaR was mainly due to an overall decrease in market risk exposure.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of December 31, 2017:

Summarized Balance Sheet (unaudited)

(in R\$ billion)



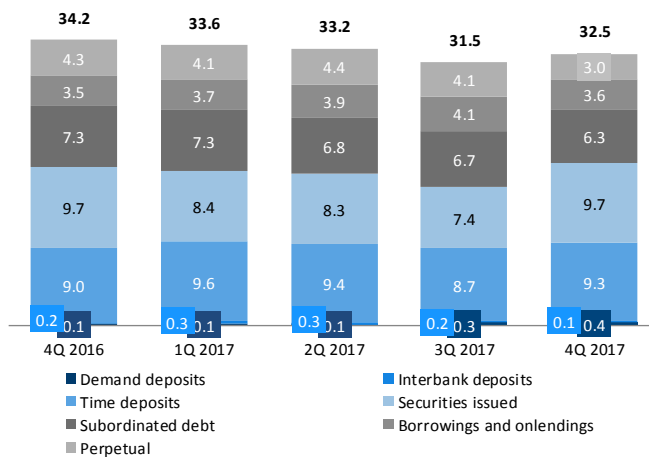
Note:

(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 increased 3%, from R\$31.5 billion in 3Q 2017 to R\$32.5 billion in 4Q 2017 mainly due to the issuance of senior notes in the amount of R\$ 1.7 billion and positive FX impact. These movements were partially offset by the announced repurchase of the perpetual subordinated notes.

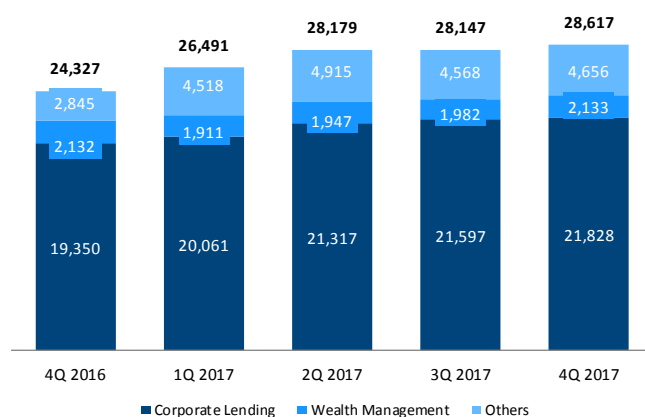
BTG Pactual Broader Credit Portfolio

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 2% from R\$28.1 billion in 3Q 2017 to R\$28.6 billion in 4Q 2017.

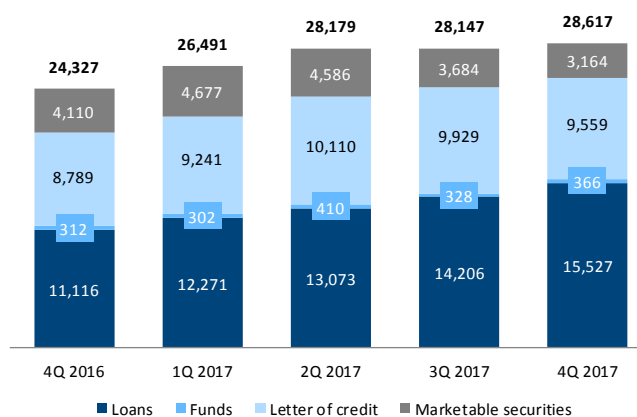
Broader Credit Portfolio Breakdown By Area

(in R\$ million)



Broader Credit Portfolio By Product

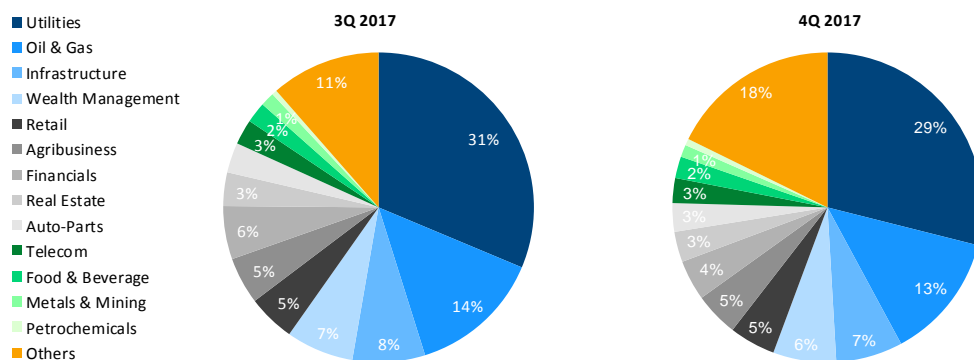
(in R\$ million)



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)



Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of December 31, 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)	4Q 2017
AA	14,694
A	4,995
B	2,621
C	1,589
D	3,126
E	390
F	859
G	191
H	153
Total	28,617

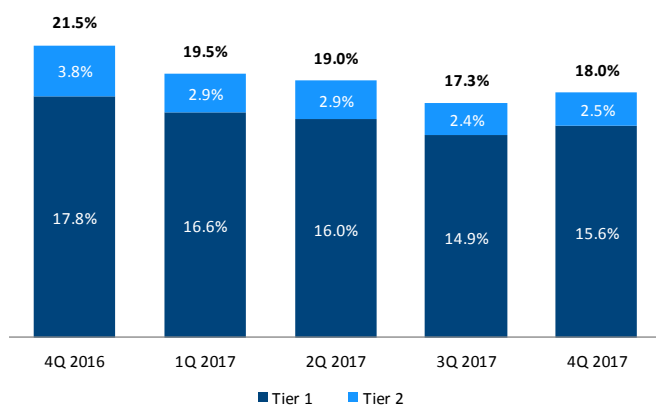
Capital Management

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 BTG Pactual.

The Basel ratio increased to 18.0% at the end of 4Q 2017. The increase in Basel index primarily reflects the decrease in risk weighted assets, concentrated in market risk, which compensated impacts of repurchasing tier I bonds. Our liquidity coverage ratio (LCR) ended the quarter at 146%.

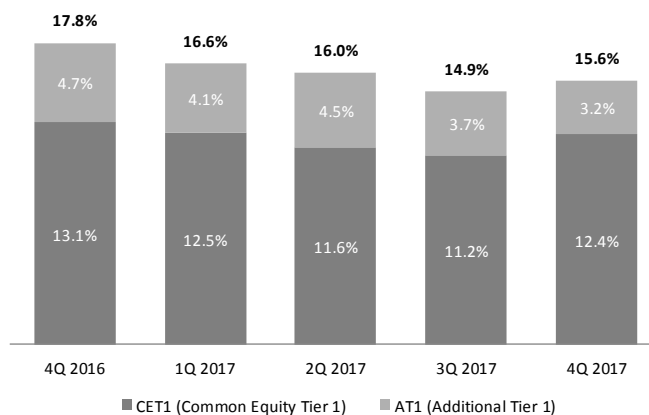
Basel Ratio (unaudited)

(%)



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 presents the results of each pro-forma unit formed by 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			4Q 2017 % change to	
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017
Assets					
Cash and bank deposits	674	837	4,347	545%	419%
Interbank investments	20,753	25,326	27,792	34%	10%
Marketable securities and derivatives	37,486	38,267	42,288	13%	11%
Interbank transactions	2,235	1,541	1,704	-24%	11%
Loans	9,513	11,938	13,026	37%	9%
Other receivables	32,315	29,973	31,770	-2%	6%
Other assets	154	187	127	-17%	-32%
Permanent assets	8,641	5,640	5,537	-36%	-2%
Total assets	111,772	113,710	126,592	13%	11%
Liabilities					
Deposits	7,691	8,323	9,178	19%	10%
Open market funding	24,904	27,636	33,890	36%	23%
Funds from securities issued and accepted	10,336	7,965	10,290	0%	29%
Interbank transactions	5	163	30	488%	-82%
Loans and onlendings	3,627	4,105	4,730	30%	15%
Derivatives	9,645	13,297	14,162	47%	7%
Subordinated liabilities	7,283	6,722	6,266	-14%	-7%
Other liabilities	30,286	26,608	29,270	-3%	10%
Deferred income	142	142	121	-15%	-15%
Shareholders' equity	17,727	18,609	18,524	4%	0%
Non-controlling interest	125	140	132	6%	-6%
Total liabilities	111,772	113,710	126,592	13%	11%

Adjusted Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Quarter			4Q 2017 % change to		Year to Date		2017 % change to
	4Q 2016	3Q 2017	4Q 2017	4Q 2016	3Q 2017	2016	2017	2016
Investment Banking	115	51	144	26%	184%	367	367	0%
Corporate Lending	177	183	162	-8%	-11%	877	790	-10%
Sales & Trading	249	958	691	177%	-28%	2,817	2,389	-15%
Asset Management	113	103	169	50%	65%	540	486	-10%
Wealth Management	85	94	98	16%	5%	2,408	369	-85%
Principal Investments	(103)	23	(89)	n.a.	n.a.	(30)	15	n.a.
Participations	(24)	26	(7)	n.a.	n.a.	(113)	(16)	n.a.
Interest & Others	410	207	200	-51%	-3%	1,932	1,127	-42%
Total revenues	1,022	1,645	1,370	34%	-17%	8,797	5,527	-37%
Bonus	(102)	(236)	(241)	135%	2%	(806)	(746)	-7%
Salaries and benefits	(131)	(133)	(132)	0%	-1%	(1,637)	(529)	-68%
Administrative and other	(189)	(208)	(250)	32%	20%	(1,708)	(853)	-50%
Goodwill amortization	(85)	(65)	(54)	-37%	-17%	(244)	(280)	15%
Tax charges, other than income tax	(19)	(64)	(69)	259%	9%	(371)	(244)	-34%
Total operating expenses	(527)	(705)	(746)	42%	6%	(4,766)	(2,651)	-44%
Income before taxes	495	940	624	26%	-34%	4,032	2,876	-29%
Income tax and social contribution	185	(439)	36	-80%	-108%	(623)	(492)	-21%
Net Income	680	501	660	-3%	32%	3,409	2,384	-30%

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	Banco BTG Pactual S.A.	
	3Q 2017	4Q 2017
Financial income	2,681	1,997
Financial expenses	(1,321)	(1,150)
Gross financial income	1,360	847
Other operating income (expenses)	(1,888)	(63)
Operating income (expenses)	(529)	783
Non-operating income/(expenses)	14	12
Income before taxes and profit sharing	(514)	795
Income and social contribution taxes	1,231	87
Statutory profit sharing	(215)	(223)
Non-controlling interest	(1)	2
Net income	501	660

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 - Fourth Quarter 2017

February 27, 2018 (after market closes)

English Conference Call

February 28, 2018 (Wednesday)

11:00 AM (New York) / 13:00 (Brasília)

Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 07/03

: +1 (412) 317-0088

Code: 10116501

Portuguese Conference Call

February 28, 2018 (Wednesday)

09:00 AM (New York) / 11:00 AM (Brasília)

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

Code: BTG Pactual

Replay until 07/03: +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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