



# BBTG11 Unit Restructuring

February 2017

For additional information, please read carefully the notice at the end of this presentation.

# Executive Summary

BTGPactual intends to incentivize shareholders to migrate from the joint unit of Banco and BTGP to new units representing each company individually

**Deliberate effort to recast Banco as a pure-play Latin American investment bank and BTGP as a pure-play principal investments platform**

- We have perceived greater investor interest in Banco and BTGP as standalone, pure-play entities rather than on a combined basis
- We believe recasting each of those entities as companies focused on their core business will strengthen both Banco and BTGP, thereby unlocking value for our investors

**Banco has a track record of solid performance and currently trades at a significant discount when compared to its peers**

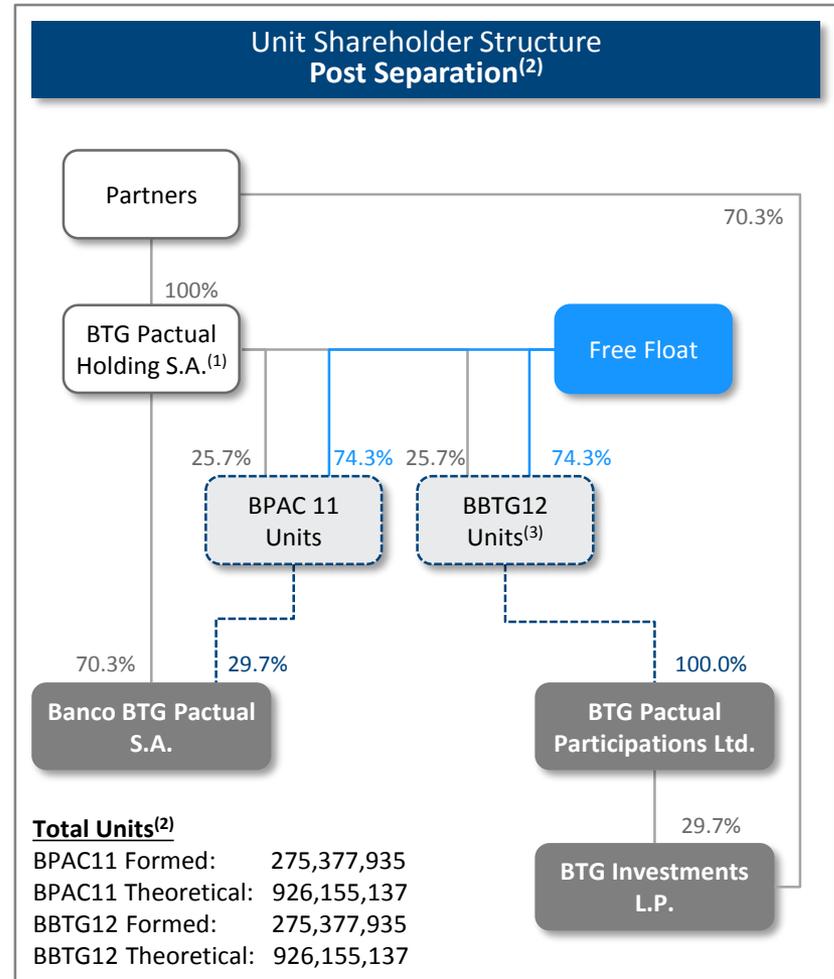
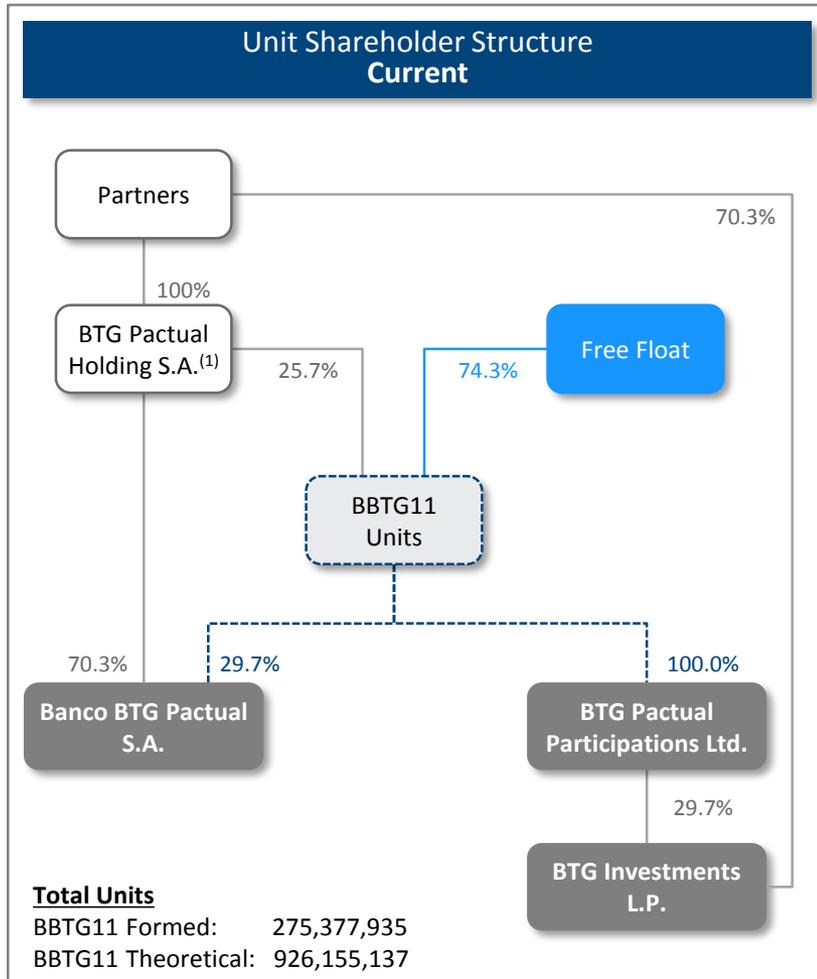
- Market perception of Banco's value has significant potential for improvement, and we believe that key to unlocking that potential is allowing Banco to clearly focus on, and be analyzed for, its core activities
- Banco's financial resources will be more clearly allocated toward valuable opportunities in its core Latin American investment banking and asset management activities

**Possibly significant increase in the range of potential investors in a pure-play Latin American investment bank**

- We believe Banco currently has a significant spectrum of potential investors that are not allowed to invest in it due to the characteristics of the current trading structure. Removing such impediments would permit increased resources to be efficiently allocated to Banco

**We expect that the sum of our parts will unlock value for our shareholders**

# Units Structure – Pre and Post



Note:

- (1) Includes units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the Partnership
- (2) Assumes all current BBTG11 unit holders decide to break up their units and hold new Banco units and BTGP units; however the breakup is not mandatory and it is likely that there will be some BBTG11 units outstanding following the transaction
- (3) Considering economic interest only (i.e., Class A and Class B shares)



# Main Challenges to Maintaining a Joint Trading Structure

We perceive a clear investor desire to invest separately in our investment bank and principal investments fund...

	Banco	BTGP	Comments
Structure Designed for Principal Investments	X	✓	<ul style="list-style-type: none"> <li>BTGP was designed to be the principal investments arm of BTG Pactual</li> </ul>
Capital Structure	✓	X	<ul style="list-style-type: none"> <li>The current trading structure does not allow for do capital increases in a single entity so as not to unbalance the share capital within the unit</li> <li>There is <b>no</b> capital flow from Banco to BTGP</li> </ul>
Management Strategy	Growth	Manage legacy portfolio	<ul style="list-style-type: none"> <li>Banco and BTGP are companies facing distinct business contexts, which requires specific business strategies as appropriate within each context</li> </ul>

... and the diverging trajectory of each company is expected to present additional challenges in managing both entities under the same strategy

# What Will Change?

Upon the successful migration of BBTG11 investors, Banco and BTGP will begin trading under their own, independent unit programs. Partnership vehicles will migrate to the independent unit programs

	Current Trading Structure	New format
<b>Financial statements focus, earnings release, earnings call</b>	Combined financial statements (BR GAAP)	Banco consolidated financial statements (BR-GAAP) ----- BTGP consolidated financial statements (IFRS)
<b>Trading security</b>	BBTG11 unit (each comprised of one Banco common share, two Banco preferred shares, one BTGP Class A BDR and two BTGP Class B BDRs)	BPAC11 unit (each comprised of one Banco common share and two Banco A preferred shares) ----- BBTG12 unit (each comprised of one BTGP Class A BDR and two BTGP Class B BDRs)
<b>Management Team</b>	Although they are separate legal entities, both companies are managed by the same individuals as if they were a single entity	Banco to maintain current management team ----- BTGP - a new management team will be appointed in the near future
<b>Investor Relations Website</b>	Combined BBTG11 unit website	Banco information ----- BTGP Information
<b>Dividends</b>	Usually 25% of the combined net income	Expected 25% of the consolidated net income of Banco ----- To be determined

# Procedures to Unwind the BBTG11 Unit

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## Actions by BTG Pactual

- 10% BBTG11 unit breakup fee will be waived until December 31, 2017<sup>(1)</sup>
- Package deal with Bradesco to charge a R\$0.02 per BBTG11 unit conversion until August 11, 2017 (0.1% of market value<sup>(2)</sup>)
- Banco and BTGP boards of directors have approved that the remaining balance of the current buy back program will only be utilized to repurchase in the form of the new units
  - Banco's buyback program to acquire up to 2,873,920 BPAC11 units
  - BTGP's buyback program to acquire up to 2,873,920 BBTG12 units
- Governance Rights
  - 100% tag along rights to holders of new Banco and BTGP units

## Actions by Investor

- Request the conversion of BBTG11 units into Banco units and BTGP units by submitting the appropriate form to your broker or dealer, which will then submit the request to the BM&FBovespa.
- Non-Brazilian residents that are holders of BBTG11 units must be non-U.S. persons located outside the U.S., or "qualified purchasers" within the meaning of the U.S. Investment Company Act of 1940 and must provide appropriate certifications to that effect.
- For complete description of transaction steps, please read carefully the operational procedures described in material fact and made available on BTG Pactual's website

**Bradesco will require one business day of processing time to effect the conversion of BBTG11 units into individual Banco and BTGP units. New units will be available for trading on the following business day**



Note:

- (1) As of today (February 14<sup>th</sup>, 2017). Dates can be extended at management's discretion
- (2) Reference price of R\$17.75 per BBTG11 unit as of Feb 14, 2017

# What This Mean To Investors?

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## Merits

- Investors will be able to hold equity interests in each company independently, or continue to hold equity interests in both companies in varying proportions
- Expect significant capital markets upside for Banco
  - Qualifies Banco to participate in IBOVESPA and MSCI indexes in the future
  - Increases the range of potential investors in Banco
- Increased transparency in analyzing and reporting the investment banking and the principal investments businesses

## Considerations

- Reduced flexibility in the allocation of resources among Banco and BTGP
- Expected different liquidity and trading multiple ratios
- Potential or actual conflicts of interest due to divergent shareholder base
- Less predictable results of operations at BTGP, and potential decrease in BTGP's ability to pay dividends



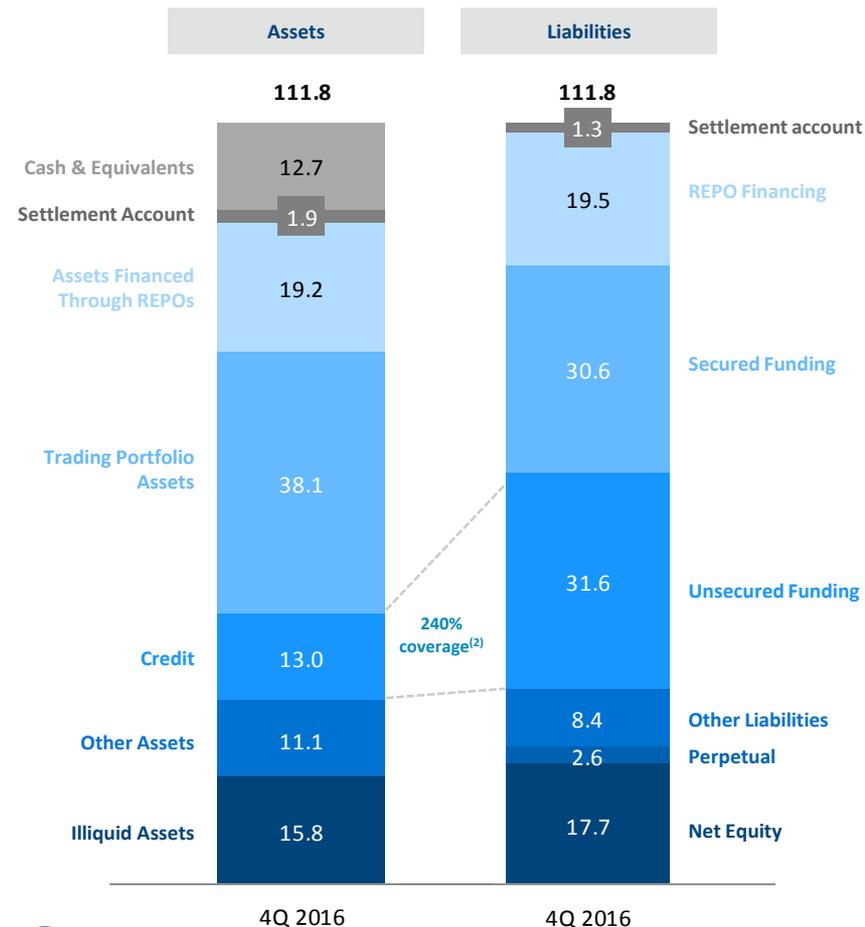
Section 1

Performance Comparisons

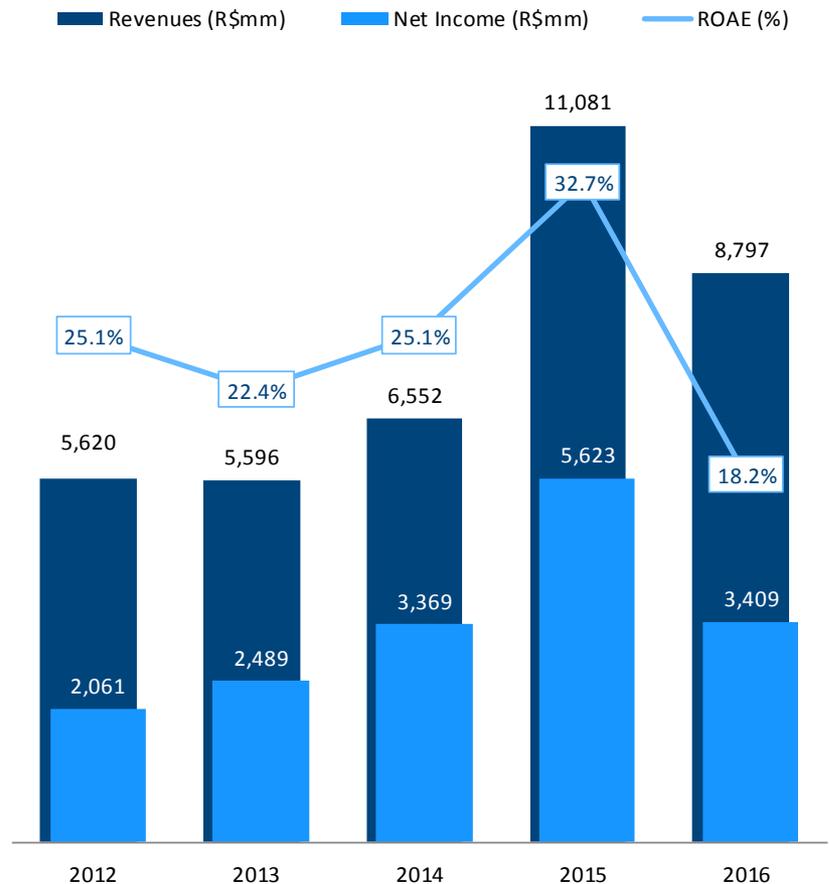
# Banco BTG Pactual S.A.

Since the IPO, Banco's shareholders' equity has been consistently growing<sup>(1)</sup> and its average return on equity has been over 25%. Banco has a solid and well-capitalized balance sheet.

## Balance Sheet Summary (R\$ billion)



## Revenues, Net Income and ROAE



Note:  
(1) Adjusted for ECTP distribution to shareholders

# Banco BTG Pactual S.A. | Revenue Breakdown

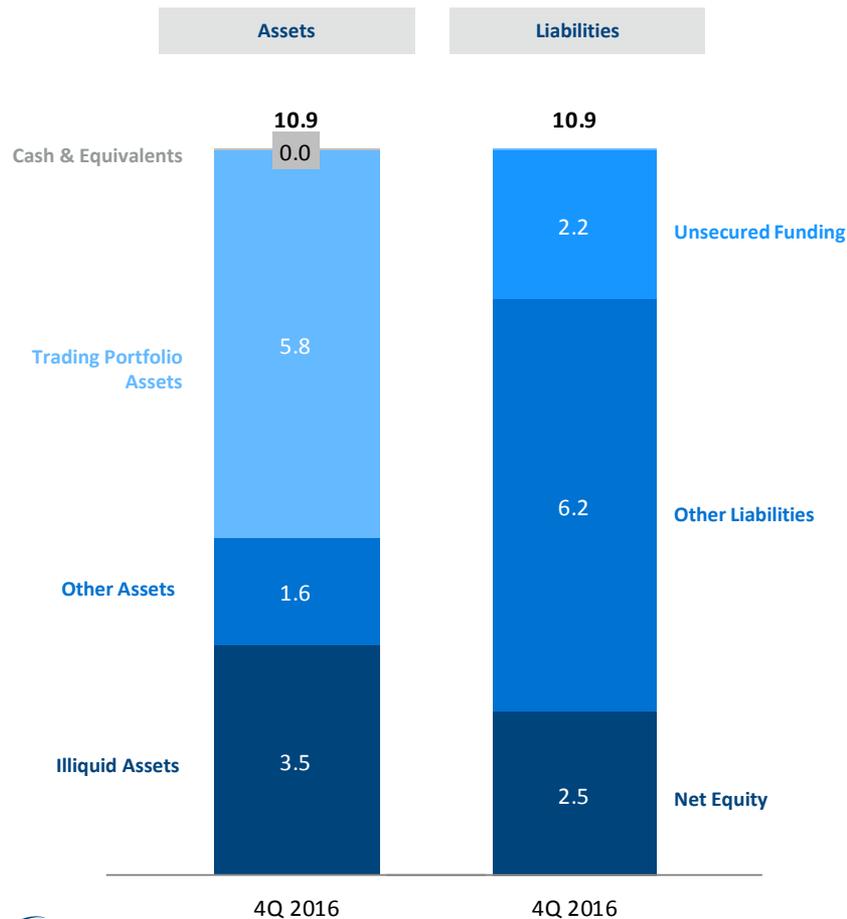
Solid revenues from core business areas

Revenue Breakdown <sup>(1)</sup>					
	2012	2013	2014	2015	2016
Investment banking	448	459	456	383	367
Corporate lending	564	765	675	983	877
Sales and trading	1,517	1,730	2,966	4,806	2,817
Asset management	1,190	1,172	1,378	1,252	540
Wealth management	202	385	393	1,454	2,408
Principal investments	1,357	570	(447)	548	(30)
<i>Participations</i>	(244)	(124)	(56)	6	(113)
Interest and other	587	637	1,186	1,648	1,932
<b>Total revenues</b>	<b>5,620</b>	<b>5,596</b>	<b>6,552</b>	<b>11,081</b>	<b>8,797</b>
Bonus	(1,169)	(946)	(836)	(1,599)	(806)
Salaries and benefits	(326)	(494)	(695)	(1,386)	(1,637)
Adm and others	(537)	(630)	(883)	(1,430)	(1,708)
Goodwill	(467)	(192)	(161)	(209)	(244)
Tax charges	(241)	(267)	(155)	(430)	(371)
<b>Total Op. Expenses</b>	<b>(2,746)</b>	<b>(2,528)</b>	<b>(2,730)</b>	<b>(5,054)</b>	<b>(4,766)</b>
<b>Income before taxes</b>	<b>2,873</b>	<b>3,067</b>	<b>3,822</b>	<b>6,027</b>	<b>4,032</b>
Income tax	(812)	(578)	(453)	(404)	(623)
<b>Net income</b>	<b>2,061</b>	<b>2,489</b>	<b>3,369</b>	<b>5,623</b>	<b>3,409</b>

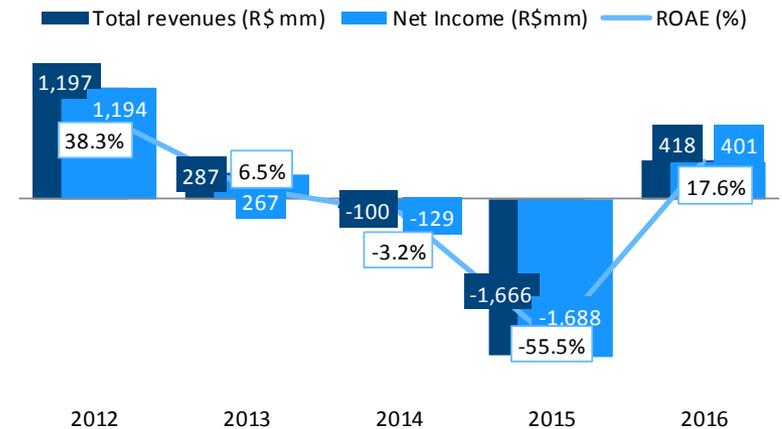
# BTG Pactual Participations Ltd.

BTGP has underperformed since 2013 and, due to the nature of its investment assets, has demonstrated sub-optimal capital allocation

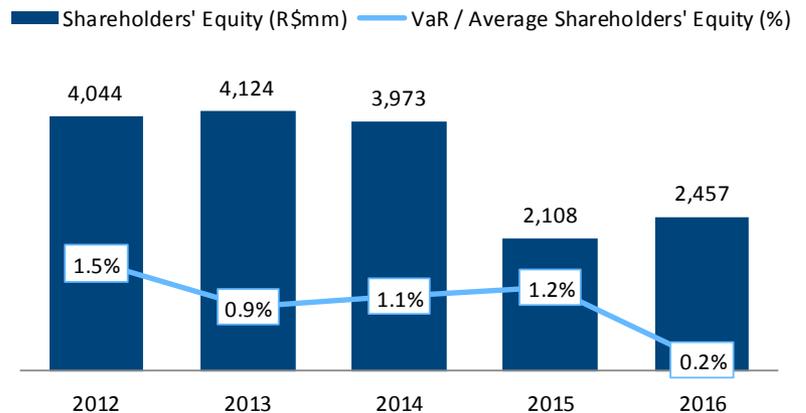
## Balance Sheet Summary (R\$ billion)



## Total Revenues, Net Income and ROAE



## Shareholder's Equity and VaR



# BTG Pactual Participations Ltd.

Pro-forma balance sheet summary of BTGP<sup>(1,2)</sup>

*In millions of R\$ unless otherwise stated*

<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

Note:

- (1) Pro-forma balance sheet has been adjusted to eliminate intercompany balances within BTGI, which are not allowed on the statutory Financial Statements.
- (2) 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.

# BTG Pactual Participations Ltd.

## Description of BTGP's main assets and their respective status

Asset	Asset Value (All held at the BTG Investments L.P. level)	Asset Status
<b>União de Lojas Leader</b>	R\$1,163 million in loans	<ul style="list-style-type: none"> <li>• Company was in operational distress and highly leveraged. Debt has now been restructured and the company is undergoing an operational turn-around</li> <li>• Credit performance will depend on business capacity to implement such turn-around</li> </ul>
<b>BR Pharma</b>	96% equity stake in the company. Equity value of R\$404 million and a R\$54 million credit line	<ul style="list-style-type: none"> <li>• Company currently undergoing operational turn-around. Recent performance has been poor</li> <li>• Exit alternatives being evaluated</li> </ul>
<b>BR Pec Agropecuária</b>	Net asset value of R\$166 million	<ul style="list-style-type: none"> <li>• Operations being focused in improving productivity levels</li> </ul>
<b>B&amp;A</b>	R\$166 million investment on the joint venture to explore mining opportunities	<ul style="list-style-type: none"> <li>• Exit alternatives being evaluated</li> </ul>
<b>Loans and receivables</b>	R\$2.1 billion of loans to partners in the context of the <i>Partnership</i> and R\$87 million of other loans	<ul style="list-style-type: none"> <li>• Loans are recorded on an accrual basis</li> </ul>
<b>Banco Bonds</b>	Bonds valued at R\$1,723 million concentrated in perpetual bonds	<ul style="list-style-type: none"> <li>• Bonds trading at 91% of par value</li> </ul>



Section 2

Risk Factors

# Risk Factors

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**We cannot predict the effect of the new trading structure on the combined post-separation market value of Banco and BTGP, and the aggregate trading price of the BBTG11 units, the BPAC11 Units and BBTG12 Units following the separation may be lower than the trading price of the BBTG11 units prior to the separation.**

Prior to the separation, there has been no public market for the BPAC11 Units and BBTG12 Units. An active trading market for those new units may never develop or be sustained following the separation. If an active market for the BPAC11 Units and/or BBTG12 Units does not develop, or if any of such units have low liquidity, it may be difficult to sell the units you receive in the new trading structure at a desired market price or to sell your units at all. Such potential low liquidity, particularly with respect to the BTGP units, may subject the company to self-tenders or other transactions that could ultimately result, among other things, in the future delisting of the company. Potentially decreased liquidity of the BBTG11 units following the separation may also result in a post-separation price for such units that is lower than its value prior to the separation.

In addition, the Companies' results of operations on a standalone basis, especially those of BTGP, may be more volatile than the Companies' results on a combined BBTG11 basis due to a number of factors that may often be unrelated to the operating performance of Banco, BTGP or their respective subsidiaries. In particular, BTGP's principal investments business has experienced significant volatility in recent years. Such higher standalone volatility may adversely affect the trading price of the new units, especially the BBTG12 Units.

We cannot predict the effect of the new trading structure on the combined post-separation market value of Banco and BTGP or if we will be able to achieve some or all of the benefits that we expect to result from the separation, including those described in the Material Fact released by the Companies on February 14, 2017

# Risk Factors

**After the separation, independent trading of the BPAC11 Units and the BBTG12 Units will result in Banco and BTGP no longer having the same shareholder base, which is expected to result in changes to certain business practices and management of each Company and increase the risks of actual or potential conflicts of interest**

After the separation, the BPAC11 Units and the BBTG12 Units will be able to be traded independently, and unit holders, including the Partnership vehicles currently controlling both Banco and BTGP, will be able to change their proportional equity interests in Banco and/or BTGP. Accordingly, this could create, or appear to create, potential conflicts of interest when Banco's management and directors and BTGP's management and directors face decisions that could have different implications for Banco and BTGP. In addition, we cannot ensure that Banco and BTGP's current management, which has thus far operated on a combined basis, will be adequately suited to manage these entities on a standalone basis. Key managers or employees that have managed these companies on a combined basis may not be suited or effective at managing them on a standalone basis.

In addition, Banco and BTGP will no longer be able to allocate resources among themselves to the same extent as in the past, whether to effect dividend payments, among other things. For example, Banco has, in the past, contributed a disproportionate percentage of overall dividends paid out on the BBTG11 units due to weaker performance by BTGP in certain fiscal years, which has effectively amounted to a transfer of resources from Banco shareholders to BTGP shareholders. Such arrangements will no longer be to the same extent under the new trading structure, which could restrict both entities' ability to pay out dividends to their respective shareholders, especially that of BTGP.

In addition, the perception of BTGP's credit may deteriorate following the separation. To a certain extent, BTGP currently benefits from an improved credit perception on a combined BBTG11 basis than we believe BTGP would have on a standalone basis. Following the separation, BTGP may suffer from a worsened credit perception and may experience an inability to obtain financing at the rates that it would have been able to obtain prior to the separation.

BTGP currently also relies on Banco to provide certain corporate and administrative services such as certain information technology, financial and human resource services. To the extent that that BTGP is unable to develop such capabilities in the future, it will continue to rely on Banco to provide certain services for an undefined period of time pursuant to certain cost-sharing and services agreements to be executed in connection with the separation. These additional costs will reduce BTGP's results of operations in the future. In addition, if Banco is unable or unwilling to provide such services to BTGP, or if the agreement is terminated, BTGP may be unable to provide such services itself or it may have to incur additional expenditures to obtain such services from another provider

# Risk Factors

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## **Unit holders' percentage ownership in Banco or BTGP may be diluted in the future**

Unit holders' percentage ownership in Banco and/or BTGP may be diluted in the future because of equity issuances for acquisitions, capital market transactions or otherwise, including issuances to finance capital requirements that, prior to the separation, were not available. Such transactions would have a dilutive effect on the earnings per share of Banco or BTGP, as may be the case, which could adversely affect the market price of shares of their respective unit programs

## **Banco and BTGP's agreements with each other relating to the separation may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated third parties**

The terms of the agreements related to the new trading structure, including certain cost-sharing and services agreements to be executed in connection with the separation, will not be negotiated among unaffiliated third parties. Such terms have been or will be proposed by Banco's and BTGP's officers and other employees and approved by their respective board of directors. As a result, these terms may be less favorable to Banco or to BTGP than the terms that would result from arm's-length negotiations among unaffiliated third parties, and each such company potentially could have received better terms from unaffiliated third parties than the terms received under the current arrangements

# Disclaimer

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