

OFFERING MEMORANDUM



Banco BTG Pactual S.A.

a sociedade por ações incorporated in the Federative Republic of Brazil
(acting through its principal office in Brazil, through its Cayman Islands Branch or its Luxembourg Branch)

US\$5,000,000,000

Global Medium-Term Note Programme

Under its global medium-term note programme (the "Programme"), Banco BTG Pactual S.A., acting through its principal office in Brazil, through its Cayman Islands Branch or through its Luxembourg Branch (the "Issuer"), may from time to time issue medium-term notes (the "Notes") denominated in such currencies as may be agreed with the Dealers (as defined below). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have maturities from 30 days to 30 years from the date of issue (except as set out herein). The Notes will bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. Subject to the terms set forth herein, the maximum aggregate nominal amount of all Notes issued and outstanding under the Programme will not exceed US\$5,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject to the terms set forth herein). Notes will be issued in one or more series (each a "Series") having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each a "Tranche") on different issue dates. Details applicable to each Tranche and Series will be specified in a supplement to this Offering Memorandum (the relevant "Final Terms"). Investing in the Notes involves risks. See "Risk Factors" included in this Offering Memorandum.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market, which is not a regulated market within the meaning of Directive 2014/65/EU concerning markets in financial instruments (the "MIFID II"). However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or traded on the Euro MTF market of the Luxembourg Stock Exchange or any other stock exchange and/or market, and the Final Terms applicable to a Series will specify whether or not the Notes of such Series will be listed and admitted to trade on the Euro MTF market of the Luxembourg Stock Exchange or any other stock exchange and/or market. With respect to the Programme and any listed Notes issued under the Programme, there can be no assurance that a listing on the Official List of the Luxembourg Stock Exchange or any other stock exchange will be achieved prior to the issue date of any Notes or otherwise. In relation to the Notes listed on the Official List of the Luxembourg Stock Exchange, this Offering Memorandum is valid for a period of 12 months from the date hereof.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes, the relevant Final Terms will also specify if the relevant credit rating has been (a) issued by a credit rating agency established in the European Economic Area ("EEA") and registered under (EU) No. 1060/2009, as amended (the "CRA Regulation"), or (b) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation.

In general, European regulated investors are restricted under the CRA Regulation from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (a) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (b) the rating is provided by a credit rating agency not established in the EEA or registered under the CRA Regulation but such rating is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (c) the rating is provided by a credit rating agency not established in the EEA or registered under the CRA Regulation but which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Notes of each Tranche of each Series to be issued in bearer form ("Bearer Notes" comprising a "Bearer Series") will initially be represented by interests in a temporary Global Note or by a permanent Global Note, in either case in bearer form ("Temporary Global Note" and a "Permanent Global Note," respectively), without interest coupons, which will be deposited with a common depository on behalf of Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. ("Euroclear") on the relevant issue date. Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "Exchange Date"), upon certification as to non-U.S. beneficial ownership.

Notes of each Tranche of each Series to be issued in registered form ("Registered Notes" comprising a "Registered Series"), and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), will initially be represented by interests in a definitive global unrestricted Registered Note (each an "Unrestricted Global Note"), without interest coupons, which will be deposited with either (a) a common depository for, and registered in the name of a nominee of a common depository for, Clearstream, Luxembourg and Euroclear on its issue date (each a "European Unrestricted Global Note"), or (b) a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") (each a "DTC Unrestricted Global Note"). Beneficial interests in a European Unrestricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a Registered Series and the issue date thereof, beneficial interests in a DTC Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg. See "Form of Notes; Book Entry and Transfer." Registered Notes sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act that are also qualified purchasers within the meaning of Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), as referred to in, and subject to the transfer restrictions described in "Subscription and Sale" and "Transfer Restrictions," will initially be represented by a definitive global restricted Registered Note (each a "Restricted Global Note") without interest coupons, which will be deposited with either (a) a common depository for, and registered in the name of a nominee of a common depository for, Clearstream, Luxembourg and Euroclear on its issue date (each a "European Restricted Global Note" and together with any European Unrestricted Global Note the "European Global Notes"), or (b) a custodian for, and registered in the name of a nominee of, DTC on its issue date (each a "DTC Restricted Global Note" and together with any DTC Unrestricted Global Note, the "DTC Global Notes"). Beneficial interests in a European Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. Beneficial interests in a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "Form of Notes; Book Entry and Transfer." Individual Definitive Registered Notes will only be available in certain limited circumstances as described herein.

Arranger and Dealer

BTG PACTUAL

The date of this Offering Memorandum is December 8, 2017

TABLE OF CONTENTS

ENFORCEABILITY OF JUDGMENTS	viii
FORWARD-LOOKING STATEMENTS	xi
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	xiii
SUMMARY	1
THE OFFERING	15
SUMMARY FINANCIAL AND OPERATING INFORMATION	21
THE ISSUER.....	25
RISK FACTORS	26
CAPITALIZATION	54
USE OF PROCEEDS	55
EXCHANGE RATES.....	56
SELECTED FINANCIAL AND OPERATING INFORMATION	57
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	61
BUSINESS	126
MANAGEMENT	162
OUR PARTNERSHIP	168
PRINCIPAL SHAREHOLDERS	172
RELATED PARTY TRANSACTIONS	173
REGULATORY OVERVIEW	176
TERMS AND CONDITIONS OF THE NOTES	200
FORM OF THE FINAL TERMS	222
FORM OF THE NOTES; BOOK ENTRY AND TRANSFER.....	235
TAXATION	242
CERTAIN ERISA CONSIDERATIONS	258
SUBSCRIPTION AND SALE	260
TRANSFER RESTRICTIONS	266
INDEPENDENT AUDITORS	275
LEGAL MATTERS	276
GENERAL INFORMATION.....	277
ANNEX A: PRINCIPAL DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS	A-1
INDEX TO FINANCIAL STATEMENTS	F-1

In this Offering Memorandum, unless the context requires otherwise, references to:

- i. “B3” are to B3 S.A. – Brasil, Bolsa, Balcão (formerly BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros) on which our units are listed and trade on the Level 1 (*Nível 1*) segment of such exchange;
- ii. “Banco BTG Pactual,” “we,” “us,” “our,” or “ourselves” are to Banco BTG Pactual S.A., a corporation (*sociedade por ações*) organized under the laws of Brazil, and its consolidated subsidiaries;
- iii. “BSI” are to BSI SA, a Swiss stock corporation (*Aktiengesellschaft*), together with its consolidated subsidiaries, which Banco BTG Pactual acquired in September 2015 and later sold to EFG in November 2016;
- iv. “BTG Pactual Group” are to Banco BTG Pactual, PPLAI, PPLA Participations and their respective subsidiaries, collectively;
- v. “BTG Pactual Holding” are to BTG Pactual Holding S.A., a corporation (*sociedade por ações*), organized under the laws of Brazil, which (A) directly owns a majority of Banco BTG Pactual’s common shares issued and outstanding and directly owns all of Banco BTG Pactual’s capital stock that is part of its Partnership Equity, (B) is owned by the Partners and (C) is controlled by the Controlling Partners;
- vi. “Cayman Islands Branch” are to Banco BTG Pactual, acting through its Cayman Islands branch, which is duly licensed and qualified to do business as a branch of a foreign bank in accordance with the laws of the Cayman Islands, having its registered office at PO Box 1353, Harbour Place, 5th Floor, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands;
- vii. “Controlling Partners” are to the Partners who effectively control Banco BTG Pactual. As of September 30, 2017, the Controlling Partners were Marcelo Kalim, Roberto Balls Sallouti, Antonio Carlos Canto Porto Filho, Renato Monteiro dos Santos and Guilherme da Costa Paes;
- viii. “EFG” are to EFG International, a global private banking and asset management firm headquartered in Zurich, Switzerland, that acquired BSI from the BTG Pactual Group in November 2016 and in which Banco BTG Pactual held 30% interest as of September 30, 2017;
- ix. “Engelhart CTP” are to Engelhart Commodities Trading Partners, a Luxembourg-based commodities platform that, since October 2016, operates separately from Banco BTG Pactual following the spin-off of Banco BTG Pactual’s commodities business and in which Banco BTG Pactual retains a direct interest of approximately 19.1% as of September 30, 2017;
- x. “IPO units” are to our securities offered in our initial public offering consisting of (i) global depositary units listed on the B3 representing (A) one common share and two preferred shares of our capital stock and (B) one voting share and two non-voting shares of PPLA Participations in the form of Brazilian depositary receipts and (ii) global depositary units listed on NYSE Euronext Amsterdam representing (A) one voting share and two non-voting shares of PPLA Participations and (B) one common share and two preferred shares of our capital stock in the form of global depositary shares. As of August 18 2017, trading of our IPO units was suspended, and our securities and PPLA Participations’ securities no longer trade together on a combined basis;
- xi. “Issuer” are to Banco BTG Pactual S.A. without its consolidated subsidiaries, acting through: (i) its principal office in Brazil; (ii) its Cayman Islands Branch; or (iii) its Luxembourg Branch, it being understood, however, that business related information shall include Banco BTG Pactual, including its consolidated subsidiaries unless otherwise specified in this Offering Memorandum;
- xii. “Luxembourg Branch” are to Banco BTG Pactual, acting through its Luxembourg branch, which is a credit institution in Luxembourg, having its address at 15, rue Bender, L-1229 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under number B 183229;

- xiii. “Merchant Banking Partnership” are to BTG MB Investments L.P., an exempted limited partnership established under the laws of Bermuda, which is (A) owned by the Partners, (B) directly owns Partners Alpha and (C) which holds 0.6% of the shares of Banco BTG Pactual, which it acquired in the open market;
- xiv. “Participating Partners” are to the Partners that purchased Banco BTG Pactual’s common and preferred shares, at the same time, on the same terms and as part of the same transaction, as a consortium of international investors in 2010, together with all Partners that hold units through open market purchases, which as of September 30, 2017, collectively represented approximately 0.6% of Banco BTG Pactual’s outstanding economic interests;
- xv. “Partners” are to the individuals who, collectively (together with their family members, trusts or other entities established for their benefit or the benefit of their family members) directly or indirectly hold our common and preferred shares as well as equity securities in PPLA Participations and PPLAI, which as of September 30, 2017, collectively represented approximately 81.9% of the outstanding economic interests in the BTG Pactual Group, together with any individuals that in the future, directly or indirectly, hold equity interests in the BTG Pactual Group, and who are employees (or act in a similar capacity) of one or more entities within the BTG Pactual Group;
- xvi. “Partners Alpha” are to Partners Alpha Investments LLC, a limited liability company organized under the laws of Delaware, which was a wholly-owned indirect subsidiary of PPLA until March 31, 2010;
- xvii. “Partnership Equity” are to our equity awarded to, and held by, the Partners in their capacity as Partners and managers of the BTG Pactual Group and, therefore, which is subject to the restrictions on transfer applicable to our partnership structure, as distinguished from equity held by the Partners acquired at the same time and on the same terms as the consortium of international investors in December 2010 or otherwise acquired on the open market. As of September 30, 2017, our Partners owned approximately 81.9% of our equity, and approximately 72.8% of our equity was part of our partnership as Partnership Equity;
- xviii. “PPLA GP” are to PPLA GP Management Ltd, an exempted company incorporated under the laws of Bermuda and the holder of one Class C voting common share of the share capital of PPLA Participations, which (A) has no economic rights and (B) is currently held indirectly by the Controlling Partners, pursuant to which the Controlling Partners indirectly control PPLA Participations;
- xix. “PPLA Participations” are to PPLA Pactual Participations Ltd, a limited liability exempted company incorporated under the laws of Bermuda, which (A) is the general partner of PPLAI and (B) is the indirect holding company of the partnership interests of PPLAI indirectly purchased by holders of IPO units in the initial public offering of the BTG Pactual Group in April 2012 and which was known as BTG Pactual Participations Ltd. prior to September 6, 2017;
- xx. “PPLAI” are to PPLA Investments L.P., an exempted limited partnership established under the laws of Bermuda, and its consolidated subsidiaries, which was known as BTG Investments L.P. prior to September 6, 2017;
- xxi. “Senior Management Team” are to the following individuals: Marcelo Kalim, Roberto Balls Sallouti, John Huw Gwili Jenkins, Antonio Carlos Canto Porto Filho, Rogério Pessoa Cavalcanti de Albuquerque, Eduardo Henrique de Mello Motta Loyo, Guilherme da Costa Paes, Renato Monteiro dos Santos, André Fernandes Lopes Dias, João Marcello Dantas Leite; and
- xxii. “units” are to global depositary units listed on the B3 representing one common share and two preferred shares of Banco BTG Pactual’s capital stock.

This Offering Memorandum constitutes a “prospectus” for the purposes of the admission to listing on the Official List of the Luxembourg Stock Exchange and to trading of the Notes on the Euro MTF market in accordance with the rules and regulations of the Luxembourg Stock Exchange (the “Rules”). The Euro MTF market is not a “regulated market” pursuant to Article 36 of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments. This Offering Memorandum therefore does not comprise a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive

2010/73/EU, and includes any relevant implementing measure in a relevant member state of the EEA, the “Prospectus Directive”).

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made, in member states of the EEA (each, a “Member State”) pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus (for the purposes of Article 5.4 of the Prospectus Directive) for offers of the Notes. Any person making or intending to make any offer in a Member State or elsewhere of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealers to publish such a prospectus for such offer. Neither the Issuer nor the Dealers have authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish a prospectus for such offer. Neither the Issuer nor the Dealers has authorized nor do they authorize the making of any offer of the Notes through any financial intermediary, other than offers made by the Dealers which constitute the final placement of the Notes contemplated in this Offering Memorandum.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended, from January 1, 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (“IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

You should rely only on the information contained in this Offering Memorandum. The Issuer accepts responsibility for the information contained in this Offering Memorandum and confirms that, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and contains no omission likely to affect its import. Having made all reasonable inquiries, the Issuer confirms that (i) this Offering Memorandum contains all information with respect to the Issuer and its subsidiaries taken as a whole, the Programme and the Notes to be issued thereunder which is material in the context of the issue and offering of the Notes, (ii) such information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, (iii) the opinions and intentions expressed in this Offering Memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and (iv) there are no other facts the omission of which would, in the context of the offering and issue of the Notes hereunder, make any statement in this Offering Memorandum as a whole misleading in any material respect. The Issuer accepts responsibility accordingly. NO PERSON OTHER THAN BANCO BTG PACTUAL IS AUTHORIZED TO PROVIDE INFORMATION ABOUT THE ISSUER OR THIS PROGRAMME OTHER THAN THAT CONTAINED IN THIS OFFERING MEMORANDUM AND THE DOCUMENTS OTHERWISE REFERRED TO HEREIN AND WHICH ARE MADE AVAILABLE FOR INSPECTION BY THE PUBLIC AS DESCRIBED IN “GENERAL INFORMATION.”

Neither this Offering Memorandum nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Memorandum or any other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each investor contemplating subscribing for or purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, any of the Dealers or the Trustee (as defined herein) to subscribe or purchase, any of the Notes. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. The Issuer and the Dealers do not represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any

applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Memorandum, see “Subscription and Sale.”

The Trustee has not independently verified the information contained herein. Accordingly, The Trustee accepts no liability in relation to the information contained in this Offering Memorandum or any other information provided by the Issuer in connection with the Programme. In addition, no representation, warranty or undertaking, express or implied, is made by the Dealer or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Memorandum or any other information provided by the Issuer in connection with the Programme, and nothing contained herein is or shall be relied upon as a promise or representation by the Dealer or the Trustee, whether as to the past or to the future.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, OR REGULATION S). THIS OFFERING MEMORANDUM HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AS AMENDED, OR RULE 144A, TO PERSONS WHO ARE “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A), OR QIBS, THAT ARE ALSO “QUALIFIED PURCHASERS” (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT), OR QPS, AND FOR LISTING OF THE NOTES ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE (FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND THE EXEMPTION FROM THE PROVISIONS OF THE INVESTMENT COMPANY ACT PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, OR 3(c)(7). FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS.”

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR CVM. ANY PUBLIC OFFERING OR DISTRIBUTION, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE NOTES IN BRAZIL IS NOT LEGAL WITHOUT PRIOR REGISTRATION UNDER LAW NO. 6,385/76, AS AMENDED, AND INSTRUCTION NO. 400, ISSUED BY THE CVM ON DECEMBER 29, 2003, AS AMENDED. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL (AS THE OFFERING OF THE NOTES IS NOT A PUBLIC OFFERING OF SECURITIES IN BRAZIL), NOR

BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL. THE DEALERS HAVE AGREED NOT TO OFFER OR SELL THE NOTES IN BRAZIL, EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OR DISTRIBUTION OF SECURITIES UNDER APPLICABLE BRAZILIAN LAWS AND REGULATIONS.

THE TERMS AND CONDITIONS RELATING TO THIS OFFERING MEMORANDUM HAVE NOT BEEN APPROVED BY AND WILL NOT BE SUBMITTED FOR APPROVAL TO THE LUXEMBOURG FINANCIAL SERVICES AUTHORITY (*COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER*), OR CSSF, FOR PURPOSES OF PUBLIC OFFERING OR SALE IN THE GRAND DUCHY OF LUXEMBOURG. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN LUXEMBOURG, DIRECTLY OR INDIRECTLY, AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT OR OTHER MATERIAL RELATED TO SUCH OFFER MAY BE DISTRIBUTED, OR OTHERWISE BE MADE AVAILABLE IN OR FROM, OR PUBLISHED IN, LUXEMBOURG EXCEPT IF A PROSPECTUS HAS BEEN DULY APPROVED BY THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER IN ACCORDANCE WITH THE LAW OF JULY 10, 2005 ON PROSPECTUSES FOR SECURITIES, AS AMENDED (THE “PROSPECTUS LAW”) OR THE OFFER BENEFITS FROM AN EXEMPTION TO OR CONSTITUTES A TRANSACTION OTHERWISE NOT SUBJECT TO THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR THE PURPOSE OF THE PROSPECTUS LAW.

This Offering Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) persons who have professional experience in matters relating to investment falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order or (iv) persons to whom this Offering Memorandum may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. For a description of certain restrictions on offers and sales of Notes and the distribution of this offering memorandum in the United Kingdom, see “Subscription and Sale.”

References herein to “US\$,” “U.S.\$,” “U.S. dollars” or “dollars” are to United States dollars, references to “Brazilian real,” “Brazilian *reais*,” “*real*,” “*reais*” or “R\$” are to Brazilian *reais*, references to “Euro” and “€” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, references to “Yen” are to the Japanese Yen, the official currency of Japan, references to “CI\$” are to Cayman Islands dollars, the official currency of the Cayman Islands and references to “CHF” are to Swiss Francs, the official currency of Switzerland.

In connection with the offering of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilizing Manager(s) (the “Stabilizing Manager(s)”) in the applicable Final Terms (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant Tranche of Notes, whichever is earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager(s) (or persons acting on behalf of the Stabilizing Manager(s)) in accordance with all applicable laws and rules.

For the purposes of the Luxembourg Stock Exchange (Euro MTF market), this Offering Memorandum shall constitute a Base Prospectus under the Luxembourg Law dated July 10, 2005 on Prospectuses for Securities, as amended. References herein to Offering Memorandum shall be construed as references to “Base Prospectus” and references to Final Terms shall be construed as references to “Pricing Supplement.” This Offering Memorandum may only be used for the purpose for which it has been published.

MARKET INFORMATION

The information (including statistical information) contained in this Offering Memorandum relating to Brazil and the Brazilian economy is based on information published by the Central Bank of Brazil (*Banco Central do Brasil*) (the “Central Bank”), other public entities and independent sources, including the National Association of Capital Markets Participants (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*) (“ANBIMA”), the Brazilian Federation of Banks (*Federação Brasileira de Bancos*) (“FEBRABAN”), the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*) (“IBGE”), the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) (“FGV”), the Brazilian Association of Leasing Companies (*Associação Brasileira de Empresas de Leasing*), the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social—BNDES*) (“BNDES”), the National Monetary Council (*Conselho Monetário Nacional*) (“CMN”), the Superintendency of Private Insurance (*Superintendência de Seguros Privados*) (“SUSEP”), and the São Paulo Stock Exchange (B3 S.A. – Brasil, Bolsa, Balcão) (“B3”), among others. Other information contained in this Offering Memorandum is based on information from *Thomson Financial* (“Thomson”), *Institutional Investor*, *Data Trader*, *Dealogic Analytics* (“Dealogic”), *The Banker*, *Euromoney*, Futures Industry Association, Latin America Venture Capital Association, *World Wealth Report* and Emerging Markets Private Equity Association (“EMPEA”). Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information, and neither us nor any of the Dealers make any representation as to the accuracy of such data.

ENFORCEABILITY OF JUDGMENTS

Brazil

We are a corporation (*sociedade por ações*) incorporated under the laws of Brazil and most of our board members and executive officers as well as most of their assets and those of such other persons, are located outside the United States and the United Kingdom. As a result, it may not be possible for you to effect service of process upon us or such other persons within the United States, the United Kingdom or other jurisdictions outside Brazil. Because judgments of U.S. and English courts for civil liabilities based upon U.S. federal securities laws or English law (as the case may be) may only be enforced in Brazil if certain conditions are met, you may face greater difficulties in protecting your interests in the case of actions against us, our board of directors or executive officers (as the case may be) than would investors in a U.S. corporation or English company. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Brazil.

We have been advised by Machado, Meyer, Sendacz e Opice Advogados, our Brazilian counsel, that final substantiated (i.e., if the grounds for the judgment are contained in the decision), certain (i.e., the obligation to be accomplished in Brazil as ordered by the foreign judgment is clearly defined) and conclusive judgments for the payment of money rendered by any English, Luxembourg or Cayman Islands court or any New York state or federal court sitting in New York City in respect of the Notes may be, subject to the requirements described below, enforced in Brazil. A judgment against us or the persons described above obtained outside Brazil would be enforceable in Brazil without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) (“STJ”) (through a specific lawsuit named *ação de homologação de sentença estrangeira*). Such confirmation would occur if the foreign judgment:

- has been rendered by a competent court;
- was preceded by proper service of process on the parties in accordance with applicable law;
- is effective in the country where it was issued and complies with all formalities necessary for its recognition as an enforcement instrument under the laws of the jurisdiction where it was issued;
- does not violate a final and unappealable decision issued by a Brazilian Court;
- has been duly apostilled by the appropriate authority of the state rendering such foreign judgment in accordance with the Hague Convention of October 5, 1961 Abolishing the Requirement of Legalization for Foreign Public Documents (the “Apostille Convention”), or, if the rendering state is not a signatory to the Apostille Convention, is duly authenticated by a competent Brazilian consulate and is accompanied by a certified translation in Portuguese (*tradução pública juramentada*), except if such procedure was exempted by an international treaty concluded by Brazil;
- does not violate Brazilian public policy;
- is not subject to appeal if it is a decision on the merits of the case; and
- does not violate the exclusive jurisdiction of the Brazilian Judiciary Authority.

There can be no certainty that the confirmation will be obtained, that the process described above will be conducted in a timely manner or that Brazilian courts will enforce a monetary judgment for violation of the United States or English securities laws with respect to the Notes offered by this Offering Memorandum.

Brazilian counsel have further advised us that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce civil liabilities in such actions against us, our directors, executive officers and advisors named in this Offering Memorandum.

A plaintiff (whether or not Brazilian) residing outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that could

secure such payment. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by a Brazilian judge. This requirement may not apply to counterclaims enforcement, extrajudicial enforcement instrument, the enforcement of foreign judgments that have been duly confirmed by the STJ, or when the bond requirement was exempted by an international treaty concluded by Brazil.

Investors may also have difficulties enforcing original actions brought in courts in jurisdictions outside the United States for liabilities under the U.S. securities laws.

Cayman Islands

We are duly licensed and qualified to do business as a branch of a foreign bank according to the laws of the Cayman Islands. The Cayman Islands has a less-developed body of securities laws as compared to the United States and provides protection for investors to a significantly less extent.

We have been advised by Ogier, our Cayman Islands counsel, that although currently there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York, or Brazil, a judgment obtained in such jurisdictions may be recognized and enforced in the courts of the Cayman Islands at common law, without any reexamination or re-litigation of the matters adjudicated upon, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is given by a foreign court of competent jurisdiction; (ii) is final and conclusive; (iii) is not in respect of taxes, a fine or a penalty; (iv) was not obtained by fraud; and (v) is not of a kind the enforcement of which is contrary to natural justice or public policy of the Cayman Islands.

Luxembourg

The Luxembourg Branch is duly licensed and qualified to do business as a branch of a foreign bank according to the laws of Luxembourg.

We have been advised by Loyens & Loeff Luxembourg S.à r.l., our Luxembourg counsel, that as there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg or Brazil and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a United States or Brazilian court. The enforceability in Luxembourg courts of a final judgment obtained from a United States or Brazilian court will be subject to the applicable enforcement procedure ("*exequatur*") as set out in the relevant provisions of the Luxembourg New Civil Procedure Code and in Luxembourg case law. Pursuant to Luxembourg case law, the granting of *exequatur* is subject to the following requirements:

- the foreign court must properly have had jurisdiction to hear and determine the matter, both according to its own laws and to the Luxembourg international private law conflict of jurisdiction rules;
- the foreign court must have applied the law which is designated by the Luxembourg conflict of laws rules or, at least, the order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an *exequatur* to be granted by a Luxembourg court);
- the decision of the foreign court must be enforceable (*exécutoire*) in the jurisdiction in which it was rendered;
- the foreign court must have applied the proper law to the matter submitted to it and the foreign procedure must have been regular in light of the laws of the country of origin;
- the decision of the foreign court must not have been obtained by fraud, but in compliance with the rights of the defendant and in compliance with its own procedural laws; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax penal or criminal nature.

Please note that according to case law, the Luxembourg courts shall not review the merits of a foreign judgment and shall only verify whether the conditions for exequatur are fulfilled.

Judgments obtained in the courts of England will be recognized and enforced in Luxembourg, subject in each case to the rules established in Council Regulation (EC) No. 44/2001 of December 22, 2000 on jurisdiction, recognition and enforcement of judgments in civil and commercial matters.

Luxembourg counsel have further advised us that if an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules.

The registration of the Notes, the Trust Deed, the Agency Agreement and other transaction documents (and any document in connection therewith) with the Registration and Estates Department (*Administration de l'enregistrement et des domaines*) in Luxembourg may be required if such Notes, the Trust Deed, the Agency Agreement and other transaction documents (and any document in connection therewith) are (i) enclosed to a compulsorily registrable deed (*acte obligatoirement enregistrable*) or are (ii) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*). A registration duty may also apply upon voluntary registration (*présentation à l'enregistrement*) of the Notes, the Trust Deed, the Agency Agreement and other transaction documents (and any document in connection therewith) in Luxembourg.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains 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 (the “Exchange Act”). These statements appear throughout this Offering Memorandum, principally in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

These estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of the Notes. 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.

Our estimates and forward-looking statements may be affected by the following factors, among others:

- the impact of the worldwide financial and economic environment on Brazil and on the other markets in which we operate;
- general economic, political and business conditions both in Brazil and abroad, including, in Brazil, developments and the perception of risks in connection with ongoing corruption investigations that may negatively affect growth prospects in the Brazilian economy as a whole;
- our ability to execute our business strategies, financial plans and investment policies, particularly following initiatives to preserve capital and liquidity, including the disposal of several relevant assets, in the aftermath of allegations against our former chief executive officer and controlling shareholder in criminal proceedings relating to the *Lava Jato* investigation;
- fluctuations in inflation, interest rates and exchange rates in Brazil and the other markets in which we operate;
- our ability to sustain and improve performance;
- credit and other risks of lending, such as increases in defaults by borrowers, other loan delinquencies and increase in the possibility for loan losses;
- our ability to obtain financing on reasonable terms and conditions;
- trends and competition in the Brazilian banking and financial services industry;
- our ability to remain competitive in our industry;
- the impact of future legislation and regulation on our business, including with respect to the capital requirements applicable to us and certain of our subsidiaries;
- our level of capitalization;
- governmental intervention resulting in changes to the economy, applicable taxes or tariffs or the regulatory environment in Brazil and the other markets in which we operate, including with respect to the regulation of financial institutions;
- adverse legal or regulatory disputes or proceedings;
- the recruitment, compensation and retention of key personnel;
- *force majeure* events that affect Brazil and the other markets in which we operate;
- our ability to detect and prevent money laundering and other illegal activities;

- our ability to protect personal data;
- our ability to protect our reputation;
- our dependence on the proper functioning of information technology systems; or
- other risk factors discussed in this Offering Memorandum under the caption “Risk Factors.”

The words “believe,” “understand,” “will,” “can,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “should” and “could,” among other similar words, are intended to identify forward-looking statements. 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 Offering Memorandum 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 Offering Memorandum might not occur and our 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Applicable Accounting Standards and Currency of Financial Statements

We maintain our books and prepare our consolidated financial statements in *reais* in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (“Brazilian GAAP”), which are based on (i) Brazilian Law N. 6,404/76, as amended (“Brazilian Corporations Law”); and (ii) the accounting standards established by the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*) (“COSIF”), the Central Bank and the CMN.

While Brazilian Corporations Law generally introduced the process of converting the financial statements of Brazilian companies into International Financial Reporting Standards (“IFRS”), the Central Bank did not fully adopt this approach as it applied to financial institutions. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements which follow certain of the IFRS standards as originally issued by the International Accounting Standards Board (“IASB”) while continuing to also report in accordance with Brazilian GAAP as applicable to institutions authorized to operate by the Central Bank.

As a result of our registration as a public company with the CVM, we are also required to prepare consolidated financial statements in accordance with IFRS. However, the consolidated financial statements included in this Offering Memorandum were prepared in accordance with Brazilian GAAP as stipulated by Central Bank rules, and no financial statements prepared in accordance with IFRS for any period are being included in this Offering Memorandum. See “Annex A: Differences Between Brazilian GAAP and IFRS.”

Financial Statements

Overview

The financial information contained in this Offering Memorandum has been derived from our books and records and includes the following consolidated financial statements, included elsewhere in this Offering Memorandum:

- (i) our unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2017 and 2016 and the notes thereto; and
- (ii) our audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 and the notes thereto.

Emphasis Paragraphs Included in the Auditors’ Reports

The auditor’s report for our consolidated financial statements as of and for the year ended December 31, 2015 and the auditor’s review report for our unaudited consolidated financial statements as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016, included elsewhere in this Offering Memorandum, include emphasis-of-matter paragraphs related to our investment in Banco Pan S.A. (“Banco Pan”). As of December 31, 2015 and 2014 and as of September 30, 2017, Banco Pan had deferred tax assets recorded on its balance sheet amounting to R\$2.9 billion, R\$3.1 billion and R\$3.2 billion, respectively, recognized based on long-term projections of future taxable income on which the deferred tax assets will be realized. These deferred tax realization projections were reviewed by Banco Pan’s management based on current and future scenarios analyses and approved by its board of directors, relying on certain assumptions related to macroeconomics indices for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco Pan.

In addition, our auditor’s report for our consolidated financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Memorandum includes an additional emphasis-of-matter paragraph addressing our coverage in the media related to allegations against our former CEO and main shareholder. Note 1 to our consolidated financial statements as of and for the years ended December 31, 2015 and 2014 contains

additional information regarding the impact of such allegations on our operations, the investigation that ensued in response to these allegations and measures that we implemented to maintain liquidity following these allegations.

Functional Currency

Our consolidated financial statements are presented in *reais*, which is the currency of the primary economic environment in which we operate. The financial statements of our companies abroad, originally stated in their functional currencies, were translated into *reais* using the following exchange rates: (i) balance sheet items were translated into *reais* using the relevant closing rates at the end of the applicable reporting period and (ii) income statement items were translated into *reais* using the monthly average rate for the nine months ended September 30, 2017 and using the relevant closing rates as of the end of the period for all other reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature for the years ended December 31, 2016, 2015 and 2014. Beginning on January 1, 2017, the effects of foreign exchange variations on investments abroad are recorded as fair value adjustments in our shareholders' equity.

Our Unaudited Adjusted Income Statement

The presentation of our audited income statement is based upon Brazilian GAAP and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014 and a discussion of such unaudited adjusted income statement. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement, as further described below.

Below is a summary of certain material differences between our unaudited adjusted income statement and our income statement (which is derived from our consolidated financial statements):

	Unaudited Adjusted Income Statement	Income Statement
Revenues.....	Our revenues are denominated in <i>reais</i> , our functional currency and the reporting currency used in our financial statements. We present our revenues segregated by business unit, which is the functional view used by our management to monitor our performance. To produce our unaudited adjusted income statement, each transaction is 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.	Our revenues are denominated in <i>reais</i> , our functional currency and the reporting currency used in our financial statements. Our revenues are presented in accordance with Brazilian GAAP, which follows the standards established by COSIF. COSIF determines a segregation of revenues that generally follows the contractual nature of the transactions and is in line with the classification of the assets and liabilities, from which such revenues are derived, reported in our balance sheet. Revenues are presented without deduction of corresponding financial or transaction costs.

	Unaudited Adjusted Income Statement	Income Statement
Expenses	Our revenues included in our unaudited adjusted income statement are presented net of certain expenses, such as trading losses, as well as transaction costs and funding costs which can be directly associated to such revenues. We also deduct from our revenues included in our unaudited adjusted income statement the cost of funding of our net equity, which is separately reported as revenue under “interest and other.” General and administrative expenses that are typically incurred to support our operations are presented separately in our unaudited adjusted income statement.	We present the break-down of our expenses in accordance with standards established by COSIF. Pursuant to COSIF, financial expenses, such as the costs incurred to fund our positions, and trading losses, such as the net losses incurred in connection with derivative transactions, are presented as separate line items and are not deducted from the financial revenues with which they are associated. Transactions costs, such as brokerage fees, are usually capitalized as part of the acquisition cost of assets and liabilities in our inventory. General and administrative expenses typically incurred to support our operations are presented separately in our income statement.
Revenues from our sales and trading unit	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives, equity transactions, our insurance business and commodities transactions and from foreign exchange variations. Revenues are also deducted from transaction costs.	Revenues from sales and trading are included in numerous revenue line items of our income statement, including securities, derivative financial income, foreign exchange and mandatory investments. Losses from sales and trading, including trading losses, derivative expenses and funding and borrowings costs are presented as financial expenses in separate line items.
Revenues from our corporate lending unit	Revenues are presented net of funding costs, including the cost of funding our net equity and allowance for loan losses.	Revenues from corporate lending are included in certain revenue line items of our income statement, including credit operations, securities and derivative financial income. Losses from corporate lending, including derivative expenses, are presented as financial expenses in separate line items.
Revenues from our participations unit ..	Revenues consist of our proportional share of the profits and losses of Banco Pan, Pan Seguros, Pan Corretora, Maybrooke (prior to its sale in February 2017), EFG (since November 2016 and BSI in the last quarter of 2016, prior to its sale) and Engelhart CTP (starting in October 2016, after the spin-off of most of our commodities business). All investments are accounted for using the equity pick-up method and the results are gross of the funding costs applied.	The results from our participations in the same companies are recorded as equity in the earnings of associates and jointly controlled entities.

	Unaudited Adjusted Income Statement	Income Statement
Revenues from our principal investments unit	Revenues are presented net of funding costs, including the cost of funding our net equity, and of trading losses, including losses from derivatives and from foreign exchange variations. Revenues are also reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including our own asset management unit.	Revenues from principal investments are included in different revenue line items of our income statement, including securities, derivative financial income and equity in the earnings of associates and jointly controlled entities. Losses from principal investments, including trading losses and derivative expenses, are presented as financial expenses in separate line items.
Salaries and benefits.....	Salaries and benefits include mainly compensation expenses and corresponding social security contributions.	Generally recorded as personnel expenses.
Bonus	Bonus expenses include our cash profit-sharing plan expenses, calculated as a percentage of our net revenues.	Generally recorded as employees' statutory profit-sharing.
Retention expenses..	Retention expenses include the pro rata accrual of employee retention program expense.	Generally recorded as personnel expenses.
Administrative and others	Administrative and Others are expenses such as consulting fees, offices, IT, travel, and expenses for presentations and conferences as well as other general expenses.	Generally recorded as other administrative expenses, tax charges and other operating expenses.
Goodwill amortization	Goodwill amortization of investments in operating subsidiaries other than private equity investments.	Generally recorded as other operating expenses.
Tax charges, other than income tax.....	Tax charges are mostly comprised of taxes applicable to our revenues which, by their nature, are not considered by us as transaction costs, including PIS, COFINS and ISS. We also reclassify overhedge impacts from revenues to taxes.	Generally recorded as tax charges other than income taxes.
Income tax and social contribution .	Income tax and other taxes applicable to net profits. We also reclassify overhedge impacts from revenues to taxes.	Generally recorded as income tax and social contribution.

The differences discussed above are not exhaustive and should not be construed as a reconciliation of our unaudited adjusted income statement to our income statement as derived from our financial statements. The business units presented in our unaudited adjusted income statement should not be presumed to be separate stand-alone

operating segments under IFRS because our management does not rely on such information for decision-making purposes. Accordingly, our unaudited adjusted income statement contains data about our business, operating and financial results that are not directly comparable to our income statement or our 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 our unaudited adjusted income statement is useful for evaluating our performance, our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors.

Assets Under Management

Assets under management (“AUM”) consists of clients’ assets (including our private wealth clients) that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds, and that are not recorded in our balance sheet.

Assets Under Administration

Assets under administration (“AUA”) represents all the financial properties and assets to which we provide administration services, including proprietary, third parties and wealth management funds and/or collective investment vehicles. These assets are not necessarily managed by our asset management unit.

Wealth Under Management

Wealth under management (“WUM”) consists of private wealth clients’ assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and private equity funds, including through our asset management products, and that are not recorded in our balance sheet. Accordingly, 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.

Average Balances

Unless the context requires otherwise, average balances of (i) our Brazilian government bonds portfolio, credit portfolio, repurchase agreements, reverse repurchase agreements, bank certificates of deposit (*Certificado de Depósito Bancário*) (“CDB”), and interbank certificates of deposit, *Certificado de Depósito Interbancário* (“CDI”), funding portfolio were calculated for (a) any full-year and nine-month period, by adding the initial balances of the period with the final balances of each quarter in the period in respect of which average balance is being reported and dividing the sum of such balances by the sum of the relevant quarter plus one and (ii) our broader credit portfolio which is presented exclusively in the unaudited adjusted income statement, and includes loans, receivables, advances in foreign exchange contracts, securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), were calculated for any full-year and nine-month period, by adding the initial balances of the period with the final balances of each quarter in the period in respect of which the average balance is being reported and dividing the sum of such balances by the sum of the relevant quarter plus one.

Merchant Banking and Private Equity Activities

Our private equity activities are part of our asset management business unit and refer to our management of private equity funds whose capital is sourced from third party qualified investors (including other members of the BTG Pactual Group) as well as our own capital. When we or other members of the BTG Pactual Group make investments in funds and investment vehicles managed by us, we refer to such activities as merchant banking activities. Merchant banking activities are part of the principal investments business unit.

Rounding

Certain percentages and other amounts included in this Offering Memorandum (including our consolidated financial statements) have been rounded off to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

Convenience Translation

Solely for the convenience of the reader, we have converted certain amounts contained in the sections entitled “Summary,” “Capitalization,” “Selected Financial and Operating Information,” and elsewhere in this Offering Memorandum from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$3.1680 to US\$1.00, which was the exchange rate in effect as of September 30, 2017, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely, and the exchange rate as of September 30, 2017 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the *real*/U.S. dollar exchange rates.

SUMMARY

This summary contains selected information about us. It does not contain all of the information that an investor should consider before making a decision to invest in the Notes. For further information on our business and this offering, you should read this entire Offering Memorandum carefully, including our consolidated financial statements, the related notes and the sections “Presentation of Financial and Other Information,” “Summary Financial and Operating Information,” “Risk Factors,” “Selected Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Overview

We are a Latin American multi-service investment bank, asset manager and wealth manager. In addition, we have established a successful global asset management platform, along with strong international investment and distribution capabilities. We were founded in 1983 and have operated as a meritocratic partnership since our inception. Currently, we have local coverage offices across Latin America, including in Brazil, Chile, Colombia, Mexico and Argentina, and have an international presence focused on distribution of a wide variety of banking products in Latin America and managing global clients’ funds in New York and London. Through this platform, we provide a comprehensive range of financial services to a Latin American and global client base that includes corporations, institutional investors, governments and high net worth individuals (“HNWI”).

Our Business Units

Our operational strategy is focused on five main business units consisting of:

- **Investment Banking**, which provides financial advisory and capital markets services to companies;
- **Corporate Lending**, which offers financing and loan guarantees to companies;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and equities, derivatives, interest rate and foreign exchange transactions, as well as energy, insurance and reinsurance products and services;
- **Asset Management**, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients; and
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI and institutions. We also offer investment products through BTG Pactual Digital, our recently launched online retail platform.

We continue to also hold ownership interests in companies as part of our Principal Investments business unit and, separately, hold strategic investments in certain other companies both in Brazil and abroad as part of our Participations business unit, each as described below:

- **Principal Investments**, which relate to (i) seed capital in certain of our investment products as a minority investor, with the objective that any such investments usually represent less than 10% of our total investments, (ii) an investment constituting a 17.4% stake in our infrastructure fund; (iii) small investments in real estate funds; and (iv) certain other legacy assets.
- **Participations**, which include as of September 30, 2017: (i) a co-controlling interest in Banco Pan, a commercial and consumer bank, focused on loans, consumer credit, payment-deducted loans and middle market loans; (ii) a 30% ownership interest in EFG, following our sale of BSI to EFG; (iii) a 51% ownership interest in Pan Seguros, a Brazilian insurance company providing personal property insurance to individuals; (iv) a 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments; and (v) an approximately 19.1% ownership interest in

Engelhart CTP, a global commodities trading platform, which we spun-off but in which we continue to hold a minority interest.

We are committed to expanding our platform to further strengthen our presence and product offering across Latin America. Following our successful completion of the acquisitions of Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia in 2012, we have consolidated and expanded our Latin American franchise, including the opening of a bank in Chile in December of 2014 and the opening of our local offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina, each focusing on advisory, asset management and wealth management services, as well as providing a broad range of sales and trade offerings through local broker-dealers. Beyond our initiatives in Latin America, we are focused on continuing to strengthen our broad global asset management capabilities, where we have reestablished our teams and capabilities, grown our AUM, and presented benchmark performance.

We are focused on offering innovative products and services to meet our clients' evolving demands, including through expanding our presence and product offerings in Latin America; and capturing banking disintermediation opportunities arising from technological developments in Brazil and the increasing maturity of Brazilian investors. With these objectives in mind, we recently developed an on-line business platform, BTG Pactual Digital, which is focused primarily on offering several products similar to those products offered to our wealth management clients, including access to our or third party's investment funds, fixed income products and private pension plans.

Our Results and Financial Condition

For the nine months ended September 30, 2017 and the year ended December 31, 2016, our revenues, as derived from our unaudited adjusted income statement, were R\$4,157.3 million and R\$8,797.1 million, respectively, our net income was R\$1,723.5 million and R\$3,408.6 million, respectively. As of September 30, 2017 and December 31, 2016, our shareholders' equity was R\$18,609.3 million and R\$17,727.2 million, respectively, and we managed a total of R\$136.8 billion and R\$115.7 billion, respectively, in our asset management unit and R\$84.4 billion and R\$73.7 billion, respectively, in our wealth management unit. Our different business units produce a combination of fee and trading revenues that have allowed us to generate positive earnings growth and returns on equity through varying and at times difficult economic and market conditions. For the five years ended December 31, 2016, our average return on equity was 25%, with no year being lower than 18%.

The following table shows key performance data for Banco BTG Pactual for the periods indicated:

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	CAGR ⁽⁶⁾
	2014	2015	2016	2017	2014- 2017
	(in R\$ millions, except as otherwise indicated)				%
Total Revenue ⁽¹⁾	6,552.4	11,080.9	8,797.1	4,157.3	(15.2%)
Net Income	3,369.2	5,623.5	3,408.6	1,723.5	(21.6%)
Shareholders' Equity	14,733.3	19,713.3	17,727.2	18,609.3	8.9%
Return on Average Equity ("ROAE") ⁽³⁾⁽⁴⁾ (%)	25.1%	32.7%	18.2%	12.6%	(14.1%)
AUM and AUA (in R\$ billions) ⁽²⁾	201.4	192.5	115.7	136.8	(13.1%)
WUM (in R\$ billions) ⁽²⁾	81.0	83.9	73.7	84.4	1.5%
BIS Capital Ratio ⁽⁵⁾ (%).....	17.5%	15.5%	21.5%	17.3%	(0.3%)

(1) Derived from our unaudited adjusted income statement.

(2) Unaudited.

(3) We determine our average shareholders' equity based on the initial and final net equity for the period.

(4) Figures are presented on an annualized basis.

(5) Bank of International Settlements.

(6) Compound annual growth rate.

Our Partnership

We operate as a partnership, with 214 Partners as of September 30, 2017, who are also executives of Banco BTG Pactual. As of September 30, 2017 the Partners owned approximately 81.9% of our equity, and approximately 72.8% of our equity was part of our partnership, and we refer to such equity as “Partnership Equity.” Our 36 most senior Partners, who we consider to be key contributors to our success, owned approximately 66.0% of our equity as of September 30, 2017.

We believe the key to our success is our partnership model. We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) substantially enhances the integration of our seven complementary business units and maximizes cross-selling of our products, (iii) allows us to maintain an intense commitment to our clients, and identify and capitalize on opportunities in the Latin American and global financial markets, (iv) substantially enhances our ability to attract the best available talent and (v) greatly facilitates our ability to consistently maintain a lean and cost efficient organizational structure. As a result of this model, and the integration of our businesses, we have a diversified revenue mix and low cost-to-income ratio and have consistently achieved financial results that we believe exceed those of our competitors.

A key feature of our partnership model is that our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives). Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of the BTG Pactual Group in its entirety. We believe that the substantial ownership position of our Partners and the maintenance of our partnership in which Partnership Equity is bought and sold at book value on a meritocratic basis will (i) ensure the continued commitment of our most important executives to our success following our initial public offering, (ii) permit us to maintain our unique culture and the competitive advantage it grants us and (iii) permit us to attract and retain future generations of talent, all of which create an unprecedented alignment of the interests of our senior management with the interests of public shareholders. See “Our Partnership.”

Our Core Values

Our organization is built and operates on the following set of 12 core values:

Strategic Focus: How we set our strategic direction

- Client focused
- Alpha-based
- Global thinking
- Long-term ambition

People: How we work

- Partnership
- Teamwork
- Hard-working and hands-on
- Grow our own talent

Performance Management: How we achieve superior results

- Meritocracy

- Entrepreneurship
- Excellence
- Bottom line driven and cost conscious

We believe that the culture that results from these core values differentiates us in the market, leads to an integrated organization and allows for superior results.

Our Competitive Strengths

We believe that our competitive strengths include:

Substantial Presence in Latin America, Where We are a Dominant Investment Bank, Asset Manager and Wealth Manager, with a Leading Franchise in the Businesses We Operate

We are one of the leading players in Latin America's financial services industry, which we believe to be one of the most attractive financial services markets globally. Given our substantial presence in all of the major financial markets of the region, we believe that we are positioned to benefit from the growth and further development of Latin America.

Dominant franchise. We are one of the premier brands for investment banking, asset management and wealth management in Latin America and we are one of the largest investment banks based in the emerging markets. Among other things, we:

- were bookrunners in approximately 51.0% of all public equity offerings completed in Brazil from 2006 through September 30, 2017, and the leading equity underwriter in terms of number of bookmanaged transactions according to ANBIMA. In terms of total volume underwritten, we were the leading underwriter of equity issued by companies listed on B3 in 2004, 2005, 2007, 2009, 2012 and 2014, the second largest equity underwriter in 2006, 2011 and 2016 and the third largest underwriter in 2013, according to ANBIMA. In 2010, we were the leading equity underwriter in terms of total deals completed according to ANBIMA. We continue to build market share in Latin America beyond Brazil and were the largest equity underwriter in Latin America in 2013 in both number of transactions and volume and the second largest in number of transactions in 2014, according to Dealogic;
- were ranked first in Brazilian M&A advisory rankings according to Thomson in 2010, 2011 and 2013 and provided advisory services in 380 announced M&A transactions from January 1, 2009 through September 30, 2017. We are rapidly expanding our M&A advisory services in Latin America outside of Brazil, both in local and cross-border transactions, and in 2013, we were ranked first in M&A both in number of transactions and volume and the second largest in number of transactions in 2014, according to Dealogic;
- have an equity research team named among the best research teams in Brazil from 2006 to 2016 and the best research team in Brazil in 2017 and among the best research teams in Latin America from 2012 to 2016, according to *Institutional Investor*;
- are one of the largest equity brokerage houses in Brazil in terms of total volume of securities traded, according to B3;
- are one of the largest asset managers in Brazil, according to ANBIMA (December 2016), with AUM in the amount of R\$136.8 billion as of September 30, 2017;
- had approximately R\$84.4 billion of WUM as of September 30, 2017 and were named by *Euromoney* as one of the top three Brazilian providers of Best Overall Private Banking Services from 2011 to 2014; and
- received a number of awards recognizing the excellence of our investment banking, asset management and wealth managements platforms, including: being named Best Equity Sales team in Brazil in 2017 by *Institutional Investor* in 2017; Best Investment Bank in Brazil and Best Wealth Management Provider by

World Finance in 2017; Best Investment Manager in Brazil, Chile and across Latin America in 2017 by *Euromoney* magazine; Best Family Office Services in Brazil, Best Investment Banking Capabilities, Best Asset Management Capabilities and Best Research and Asset Allocation Advice, each in 2016 by *Euromoney Magazine*; Wealth Management Company of the Year in 2017 by *The European*; Best Variable Income Fund Manager in Brazil by *Standard & Poor's* and *Valor Econômico*.

We believe we have a vast knowledge of the Latin American financial markets, can identify business opportunities and trends more quickly and accurately than our competitors in Latin America and, due to our flat management structure and strong capital base, can act more effectively on such business opportunities.

We also have an extensive network of long-standing business contacts and corporate relationships, and we believe we have a strong brand and a reputation for excellence among our target corporate and individual client base.

Established International Asset Management Platform

We have an international asset management platform in London and New York that, together with our Brazilian and other Latin American offices, provides Latin American, emerging market and global investment products and services to our client base. As of September 30, 2017, we had over 140 professionals, including 28 of our most senior executives, in our international offices dedicated exclusively to the international asset management business.

Distinctive Culture Stressing Intellectual Capital, Meritocracy, Entrepreneurship and an Unprecedented Alignment of Interests

We operate under a partnership model and a flat management structure that emphasizes the value of intellectual capital, entrepreneurship and meritocracy in all regions and markets in which we operate. We believe this model is the key to our success. We are managed by our Senior Management Team covering our Brazilian and international operations. As of September 30, 2017, we had 214 Partners that, owned, directly or indirectly, approximately 81.9% of our equity.

We consider our personnel to be our most valuable asset and believe that our culture and partnership structure allows us to attract, retain and motivate highly talented professionals. Our recruiting strategy and training are aimed at producing future Partners. The commitment of our personnel to our culture and success is reinforced through the recognition of individual merit and a variable compensation system that rewards teamwork, entrepreneurship and initiative, and eventually results in our most valuable professionals becoming vested in the success of our business as Partners. We believe that our partnership model, recruitment strategy and management structure result in our achieving substantially less turnover at the middle and senior management levels than our Latin American and international competitors.

Our culture also stresses an alignment of interests between our shareholders, including our public shareholders, and our professionals. Virtually all of our key professionals are Partners and their respective equity ownership in Banco BTG Pactual represents significant portions of their personal wealth (and in most cases, the vast majority of such wealth). We believe that this creates an unprecedented alignment of interests that encourages (i) a rigorous analysis of the risks that we take in our trading activities, (ii) our pursuit of strategies that emphasize long-term, consistent and profitable growth, (iii) a long-term commitment to our clients and our reputation, (iv) the maintenance of a lean organizational structure and decision-making process and (v) a strong focus on cost controls.

Consistent with our long standing strategies, we have taken concrete steps aimed at ensuring that our partnership model remains in effect for the foreseeable future so that both our Partners and our public shareholders continue to enjoy the financial and strategic benefits which we derive from this model. See “Our Partnership.”

Our Track Record of Strong Growth with Consistent Profitability through Various Economic Cycles while Maintaining Strong Capital Ratios and Rigorous Risk Controls

Our Senior Management Team is based in all major markets in which we operate and has many years of experience leading us through various economic cycles, including the Asian crisis (1997), the Russian crisis and Long Term Capital Management crisis (1998), the crisis following Brazil's currency devaluation (1999), the end of

the so-called “Internet bubble” (2000-2001), the Argentine debt default (2002), the market volatility related to the Brazilian presidential elections (2002-2003), the international financial crisis (2008) and, more recently, the economic and political instability and economic recession in Brazil due in part to ongoing money laundering and corruption investigations in connection with corruption allegations (the so-called Lava Jato investigations) consisting, among other things, of illegal payments made by Brazilian companies to officers, directors and other employees of Petróleo Brasileiro S.A. (“Petrobras”), a Brazilian state-controlled energy company, in order to influence commercial decisions.

We have generated strong and consistent returns on our capital throughout these various cycles. We have been profitable during each of the last three years ended December 31, 2016. For the five years ended December 31, 2016, our average return on equity was 25%, with no year being lower than 18%.

While we seek to generate strong and consistent earnings, we also focus on consistently maintaining strong capital ratios and an adequate risk profile. We believe that our track record of consistently maintaining a higher capital ratio than that required by the Central Bank, while consistently generating attractive returns on equity, highlights our ability to deploy capital efficiently.

Similarly, we seek to maintain a rigorous discipline of risk management and internal controls. We monitor our risks on a daily basis; looking at all dimensions that we believe are relevant to our operations, including market risk, credit risk, liquidity risk, counterparty risk and operational risk. In our risk control framework, we adopt risk models that allow us to measure risks based on the past behavior of markets (“VaR”) and on our stress test scenarios and simulations. Our senior Partners, who are responsible for the management of our risks, are closely involved in the execution of the daily operations, and have a deep understanding of the markets in which we conduct our operations. We also have a separate risk management team led by a member of our Senior Management Team. As a consequence, risk management is an integral part of our decision-making process, which we believe has allowed us to maintain consistent returns, and to optimize the use of our capital.

We believe that our risk management policy applies the best practices, which have been tested in extremely adverse conditions, including during the 2008 international financial crisis, and the more recent political and economic crisis in Brazil that started in 2015. As a result of the political and economic crisis in Brazil and our involvement therein, we have (i) adjusted our corporate governance structure, including our senior management team and control group; (ii) reduced significantly our portfolios in order to generate excess liquidity; and (iii) reduced linearly across our business units our leverage and VaR, while strengthening our capital ratios. As of September 30, 2017, we benefit from more than R\$22.9 billion in cash and cash equivalents, a Basel ratio of 17.3%, and a balance sheet leverage ratio of 6.1 times our equity at, which has significantly improved our compliance structure and positioned us to provide greater stability to our clients, support the growth of our franchise, and fully reignite our corporate lending business once unsecured funding stabilizes. In addition, given that the vast majority of our Partners’ personal wealth consists of their respective equity interests in the BTG Pactual Group, we believe that the interests of the persons taking and monitoring our risks are more fully aligned with our non-executive shareholders than is the case at our competitors, reinforcing our rigorous risk control and long-term profit strategies.

Experienced Management Team and Motivated Work Force

We have a group of highly talented professionals with a strong reputation in the Latin American and international financial markets. This group was responsible for establishing and implementing the strategies that permitted us to become one of Latin America’s leading financial institutions. Our team includes numerous executives with substantial experience in Brazilian and international institutions acting as traders of G-10 and non-Brazilian emerging markets securities or as top executives in global investment banking, and asset management business units. These team members have been selected based on both their previous histories of success and our belief that they shared our distinctive business culture and would serve as the cornerstones for implementing this culture in our international offices and in our businesses generally going forward.

Additionally, our strong and broad network of contacts, together with our positive reputation in the financial markets, primarily in Latin America, allow us to obtain additional business contacts in Asia, the Middle East, Europe and North and South America. We continue to attempt to leverage these contacts to strengthen many of our principal businesses and realize additional revenues.

Our Diversified Portfolio of Businesses

We believe that we have successfully diversified our business operations and sources of revenue to maximize opportunities for leveraging our client relationships across business units. In addition, we believe that we have achieved geographic diversification which has positioned us to exploit changes in market conditions throughout the world.

We believe that our strong market positions across the spectrum of financial services enable us to adapt quickly and prosper under changing market conditions. Our entrepreneurial culture leads us to consistently seek new and diversified revenue sources, including opportunities outside our historical target market in Brazil, such as our acquisitions throughout Latin America, including in Mexico and Argentina, and through our online platform, BTG Pactual Digital. We believe that our geographic diversification and expanding portfolio of businesses increases our potential to successfully grow our business and to maintain our profitability.

In addition, we believe our market strength within each of our business units allows us to maximize the value we obtain from our client relationships by using an integrated approach to cross-sell the services that we provide. For example, many of our significant asset and wealth management clients generated their wealth through public offerings that we have underwritten. This cross-selling is particularly advantageous in Latin America, where many wealthy families control a significant share of local businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

We believe that our solid research capabilities also contributed to our significant participation in equity underwritings in Latin America in addition to generating significant brokerage commissions for our sales and trading unit. Consequently, we currently provide our clients with both high quality asset and wealth management and financial advisory services – both in capital markets and mergers and acquisitions. In addition, our sales and trading and principal investments units cover multiple markets and different geographies, with a focus on building long-term relationships and delivering high quality execution.

History of Successfully Integrating Acquired Businesses

We have acquired and successfully integrated several businesses, which have contributed substantially to our strong track record of growth, the diversification of our business operations and the geographic diversity of our sources of income. Through selective acquisitions, we have: (i) expanded our existing business lines geographically; (ii) increased the products and services we offer to our clients; (iii) increased our client base; and (iv) achieved substantial new revenue sources that we believe neither we nor the businesses we acquired would have achieved on a stand-alone basis.

For example, in 2012, we successfully consolidated our position as a true leader in financial services in Latin America when we acquired Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia. We identified these acquisitions based on their strategic value to our business and their strong fit with our unique culture. We have leveraged their existing operations by distributing Brazilian and international asset management, wealth management and corporate finance products to their previously existing client base and by significantly expanding our client base in their respective markets by offering a broader and more diverse range of products to larger and more sophisticated corporate clients and HNWIs.

We believe our history of successfully integrating new businesses and replicating the model we first implemented in Brazil has provided us with experience that will be invaluable as we continue to expand into new businesses and geographies, whether through additional acquisitions or organically.

Our Strategy

Our principal strategies are:

Strengthen our Latin America Operations and Capitalize on its Outstanding Growth Prospects

We believe that the growth of the financial services sector in Brazil and in a number of other countries in Latin America, such as Chile, Colombia, Peru and Mexico, will continue and further develop in the future. These

countries exhibit a number of characteristics that we believe provide the basis for growth while these countries are still far from the financial maturity of fully developed economies. These characteristics include:

- a positive macroeconomic environment that is no longer destabilized by hyperinflation and external debt arrears;
- political stability associated with democracy and freedom;
- a sound institutional and regulatory framework, including well-established rules of arbitration;
- improved corporate governance;
- sophisticated and, in some cases, deep domestic financial markets;
- highly attractive investment opportunities across different segments;
- a growing middle market and middle income consumer base fostering the growth of the asset management industry, insurance and pension funds;
- numerous domestic companies well-positioned to continue to tap international markets, with several others actively pursuing international markets; and
- a sustainable inflow of foreign direct investments.

Large investment opportunities have been created over the last several years in Latin American countries, including in connection with infrastructure investments in Brazil, Mexico, Peru, Argentina and Colombia, among others. We believe these opportunities, combined with sustained growth in domestic income and consumption and potential demand for further improvements, will continue to foster capital expenditures in Latin American countries. We expect that strong economic growth elsewhere in Latin America, especially Chile, Peru, Argentina, Colombia and Mexico, will lead to increased capital expenditures and investments within those economies.

Multinational companies seeking higher growth continue to expand in Latin America, including through acquisitions, while at the same time numerous Latin American companies have become multinational enterprises that are actively pursuing international acquisitions. A greater percentage of the Latin American population is entering into higher income classes and becoming potential consumers of asset and wealth management products. Also, the middle market and low income consumer base is expected to continue to grow as the economy further develops, especially in the medium to long term scenario.

We intend to continue to take advantage of favorable Latin American market conditions by using our expertise and ability to consolidate and expand our franchises and leverage our reputation among our current and prospective Latin American and international clients interested in emerging markets-related opportunities by, among other things:

- actively marketing our equity and debt capital markets capabilities to Latin American issuers, with a view towards maintaining and expanding our position as the leading underwriter both in Brazil and in other Latin American countries;
- expanding our M&A advisory business, both for Latin American companies seeking to acquire businesses outside their home countries, and foreign companies seeking to acquire Latin American businesses and assets;
- continuing to develop our leading asset management and wealth management businesses in Brazil while further expanding our footprint within other Latin American markets;
- continuing to develop credit, derivatives and other sophisticated FICC products for our corporate clients to meet their needs as they grow both in Latin America and internationally;

- taking advantage of private sector and pre-IPO investment opportunities sourced through our extensive Latin American network;
- continuing to develop the scale and diversity of our products and capabilities of all our offices; and
- continuing to expand our businesses and presence in the region, taking advantage of the expected growth in Latin American economies.

Following our successful completion of two acquisitions in Latin America of Celfin and Bolsa y Renta in 2012, we have continued the implementation of strategies to consolidate our Latin American franchise, including the opening of a bank in Chile in December 2014. In addition, we received approval from the Central Bank and the CNBV in Mexico to operate a broker-dealer in Mexico, where we began our operations in March 2014 and have achieved consistent gains in market share. One of our main strategies relating to our presence in Latin America involves the expansion of our business in Mexico, where we intend to attract even more clients to our local investment funds and broker dealer business. In addition, we are expanding our business in Argentina following the approval by the Brazilian and Argentinian authorities of our entry into the broker dealer market in Argentina.

We understand that the Latin American market has several opportunities for organic and inorganic growth. We intend to continue to take advantage of favorable Latin American market conditions through our expertise and ability to expand and leverage our reputation among our current and prospective Latin American and international clients interested in emerging markets.

Maintain Our Distinctive Culture

In contrast to other investment banking and asset management firms in Brazil and worldwide that have sold equity to the general market in the past, we have implemented several concrete steps to maintain our partnership model following our initial public offering completed in April 2012. As of September 30 2017, the Partners owned approximately 81.9% of our total equity. Our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives) at book value. Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions. Accordingly, none of our Partners sold any IPO units or underlying securities in our initial public offering or are expected to sell such securities for the foreseeable future (i.e., we expect that the Partnership Equity will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of the entire BTG Pactual Group). These mechanisms result in a substantial amount of the economic burden of incentivizing our most important executives to fall on our existing Partners, rather than Banco BTG Pactual or our public shareholders.

We believe the mechanisms described above create an unprecedented alignment of interests between our Partners and our public shareholders, allowing us to continue our efforts to maximize value for our shareholders while simultaneously managing risk in a proactive manner. See “Our Partnership.”

Take Advantage of Attractive Growth Opportunities

We expect to focus on acquisitions that are complementary to our existing businesses, and that offer opportunities for growth and earnings accretion within our existing businesses. Our presence in significant financial markets such as São Paulo, New York and London enables us to better explore business opportunities arising in different regions and demonstrates our intention to continuously seek diversification. We believe there are attractive opportunities for selective global expansion. For example, we believe that our strong reputation and global presence will allow us to (i) expand our marketing of products to a global customer base, (ii) expand our investment banking, and (iii) attract additional talent.

We also intend to pursue strategic opportunities that further complement our existing businesses through organic growth. Throughout our history, we have experienced many successful cases of organic commenced operations, including: (i) our global asset management business, (ii) our insurance business, through which we offer insurance and reinsurance products in Brazil and elsewhere in Latin America, (iii) our entering into high income retail business through BTG Pactual Digital and (iv) our successful global commodities business which grew, and

was recently spun-off into an independent company - Engelhart CTP. We believe that the development of these significant new business initiatives reflects our entrepreneurship, agility and ability to capitalize on strategic growth opportunities as they arise in Latin America.

Reduce our Exposure to Proprietary Merchant Banking and Real Estate Investment Activities

We have been reducing, through the divestment and sale of assets, our exposure in relation to certain of our principal investment activities, mainly our merchant banking, private equity and real estate investments. Given this trend, our principal investments have been significantly streamlined, focused now on the allocation of excessive proprietary capital, legacy investments and seed capital in certain funds as a minority investor up to specified limits. We are no longer focused on investing in portfolio companies operating in the real economy and, accordingly, do not intend to allocate new resources and capital in merchant banking and real estate investments, except for seed money in our investment products. Our strategic focus is to reallocate capital and resources to strengthening and expanding our activities in our core business, such as investment banking, asset management, wealth management, sales and trading and corporate lending.

Significant Recent Developments

On November 1, 2017, we commenced a cash tender offer to repurchase up to U.S.\$390.0 million in aggregate principal amount of our 8.750% Perpetual Non-Cumulative Junior Subordinated Notes. The tender offer was not conditioned upon the tender of any minimum principal amount of notes or upon any financing. The tender offer expired on December 1, 2017 pursuant to which U.S.\$497.9 million of the aggregate principal amount of the notes had been validly tendered, representing 38.30% of the total aggregate principal amount. The tender offer closed on December 6, 2017, pursuant to which we accepted for purchase, on a *pro rata* basis, all notes that were validly tendered and not validly withdrawn up to the tender offer cap of US\$390.0 million. Following the closing of the tender offer, U.S.\$910 million in aggregate principal amount of our 8.750% Perpetual Non-Cumulative Junior Subordinated Notes remained available for trading on the Luxembourg Stock Exchange's Euro MTF market, of which U.S.\$678.1 million are held by our affiliates. We believe that the tender offer will improve our debt profile and give us added flexibility to pursue our short- and long-term strategic growth plans.

For a description of recent acquisitions and dispositions, see "Management Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations."

Our History

Our history began in 1983, when Pactual S.A. Distribuidora de Títulos e Valores Mobiliários ("Pactual D.T.V.M.") was founded in Rio de Janeiro as a securities dealer and a new entity named Pactual Administração e Participações Ltda. ("Pactual Limitada") was formed to operate an asset management business.

In 1989, Pactual S.A. Banco de Investimentos established a branch in São Paulo, our first office outside Rio de Janeiro, and obtained a license to become a multiple-service bank (*banco múltiplo*) authorized to engage in commercial banking, investment banking, portfolio management, foreign exchange, real estate financing and savings and loans operations. As a result, the bank was renamed Banco Pactual S.A. In the same year, Pactual Overseas Corp. was incorporated to carry out our international activities. In 1990, we began to offer our clients wealth management services.

The period from 2000 to 2005 was essential to the expansion of our various business units. During these years several companies were created, including:

- BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários, a subsidiary created to segregate the asset management business unit;
- BTG Pactual Corretora de Mercadorias Ltda., a dedicated commodities and future broker-dealer;
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., a securities broker-dealer;

- BTG Pactual Gestora de Recursos Ltda., which manages mutual funds and securities portfolios; and
- BTG Pactual Securitizadora S.A., a non-financial institution engaged in the securitization of real estate receivables.

The structure granted us increased cross-selling opportunities by enabling us to offer top-tier capabilities across a full range of products. Such opportunities also facilitated the growth of our asset management and wealth management business units and the enhancement of our investment banking, sales and trading business units. At the same time, Brazil was achieving economic stability and its prospects for growth were improving substantially. In this environment, we were able to anticipate, and thereafter lead, the strong development of the Brazilian capital markets that began in 2004, in offering different products to investors interested in equity and debt securities of Brazilian companies, and to have our asset and wealth management units benefit from the increasing wealth in Brazil.

In May 2006, UBS AG agreed to purchase Banco BTG Pactual. Our principal Partners, including our CEO, CFO and COO remained as the senior management of the bank following the consummation of the sale in December 2006. We became “UBS Pactual,” the Latin American division of UBS AG, and our CEO became CEO of all of UBS’s Latin American operations. At the time of the acquisition, we were already a leading investment bank and asset manager in Brazil.

In July 2008, a group of our key senior Partners left UBS Pactual with the goal of establishing a new venture based on the same culture they had previously implemented at Banco Pactual S.A.

This group of our key senior Partners, jointly with some former managing directors of UBS AG and other executives with substantial experience acting in G-7 and emerging markets, including Brazil, created PPLAI (formerly, BTG Investments L.P. at such time) in October 2008, a global investment business with offices in São Paulo, Rio de Janeiro, London, New York and Hong Kong.

PPLAI had approximately US\$1.3 billion in AUM (including proprietary and third party capital) and more than 100 employees when its Partners signed a contract to acquire the former Banco BTG Pactual (then Banco UBS Pactual S.A.) and its subsidiaries on May 11, 2009. The transaction represented the return of many members of our Senior Management Team to the bank, and reunited this team with many of their former partners who had remained at the bank throughout the period following the sale to UBS AG. The transaction closed in September 2009, creating the group now known as BTG Pactual.

In December 2010, together with PPLAI, we issued US\$1.8 billion in capital to a consortium of prestigious international investors and certain senior Partners. This issuance consisted of US\$1.44 billion in new shares issued by us and US\$360.0 million in new PPLAI limited partnership interests issued by PPLAI, representing an interest of approximately 18.65% in us and PPLAI, respectively. This transaction represented a significant step in our strategic development. The consortium brought an impressive group of investors to us, consolidating and expanding our global network and coverage, providing our clients with unique access to opportunities and resources in an increasingly globalized market.

In January 2011, we entered into an agreement to purchase 100% of the shares in Banco Pan held by Grupo Silvio Santos for R\$450.0 million, representing a 37.64% stake in Banco Pan (composed of 51.00% of its voting shares and 21.97% of its non-voting shares). The transaction was approved by the Central Bank and closed on May 27, 2011.

After registering Banco BTG Pactual S.A. as a foreign company in the Cayman Islands, on June 15, 2011 we completed a merger between Banco BTG Pactual S.A. and BTG Pactual Banking Limited, our former subsidiary. As a result of the merger, BTG Pactual Banking Limited ceased to exist, and Banco BTG Pactual S.A. received a Category “B” Banking License and a Trust License from the Cayman Islands Monetary Authority. The transaction resulted in the conversion of BTG Pactual Banking Limited into our Cayman Islands Branch.

On February 8, 2012, we acquired 100% of the shares of Celfin Capital, the leading brokerage (in equity volumes) in Chile with presence also in Peru and Colombia, to further increase our presence in the Latin American

market. Celfin has a broad range of products and services in the areas of investment banking, products and financial services, asset management and wealth management. The total purchase price was approximately R\$930 million.

On April 30, 2012, we completed our initial public offering, consisting of 103,500,000 IPO units, each representing, directly or through depositary receipts, (i) one common share and two preferred shares of our capital stock and (ii) one voting share and two non-voting shares of PPLA Participations (formerly, BTG Pactual Participations Ltd.). The majority of our IPO units were listed in Brazil on the B3, and 129,000 IPO units were also listed in Europe on the Alternext Amsterdam, the multilateral trading facility operated by Euronext Amsterdam N.V. The majority of the IPO units offered in the initial public offering were represented by primary securities, resulting in gross proceeds to the BTG Pactual Group of approximately R\$2,587.5 million, of which Banco BTG Pactual received R\$2,070.0 million. We used our portion of the proceeds from the initial public offering of the BTG Pactual Group to increase our corporate lending and sales and trading operations and develop new lines of business.

In December 2012, Banco BTG Pactual acquired Bolsa y Renta for approximately R\$120.5 million. Bolsa y Renta is the largest stockbroker in Colombia. The acquisition was an important step in our expansion throughout Latin America as it combined Bolsa y Renta's position in the growing Colombian market with the strength and reputation of Banco BTG Pactual's business platforms in Brazil, Chile, Peru and Colombia.

On October 10, 2013, the BTG Pactual Group listed its European IPO units on the NYSE Euronext in Amsterdam. This migration from the Alternext Amsterdam had been previously agreed upon with European regulators as part of the initial public offering and no new shares or other securities were offered or issued in connection with this process.

On December 19, 2014, we acquired certain credits and other rights held by Fundo Garantidor de Créditos ("FGC") against Banco Bamerindus do Brasil S.A. and its affiliates, or, collectively, Bamerindus, in extrajudicial liquidation. This transaction resulted in our acquiring control of Bamerindus, with 98.8% of its total and voting capital. Bamerindus' extrajudicial liquidation process concluded on the same date, and Banco BTG Pactual changed Bamerindus' name to Banco Sistema S.A.

On September 30, 2015, we completed the acquisition of 100% of the shares of BSI S.A., a Swiss private bank, for a total consideration of CHF1,248 million, in cash and BSI shares.

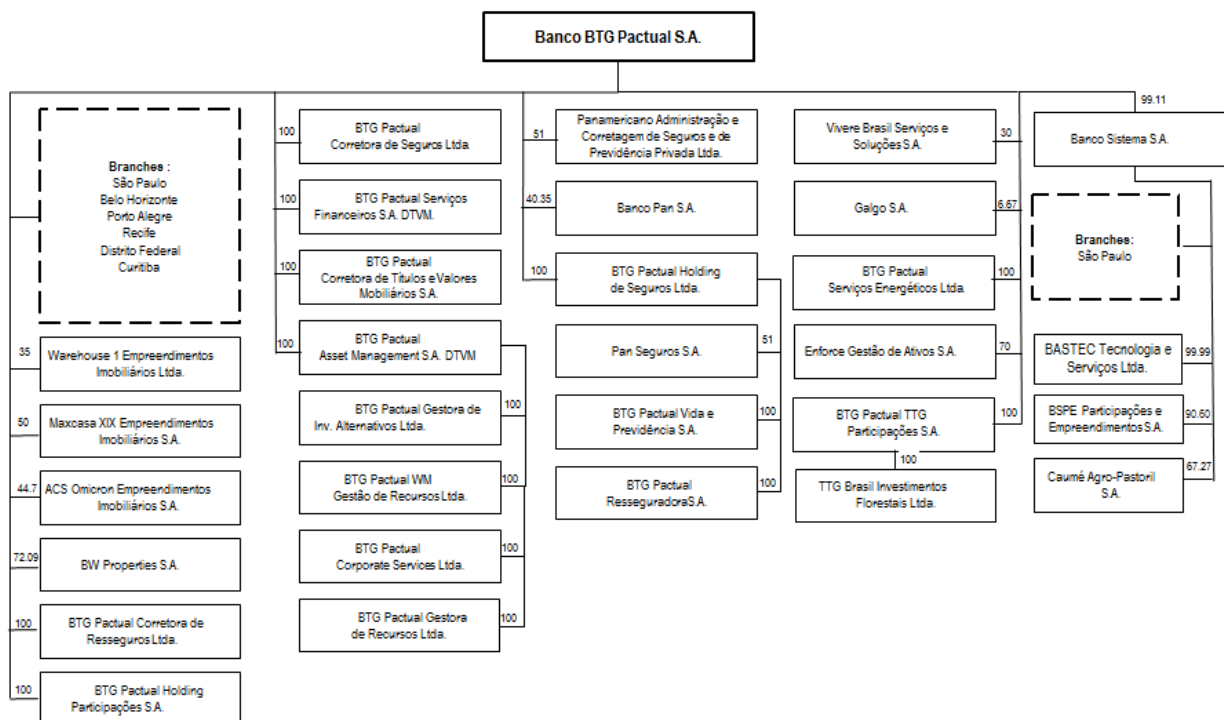
Since November 25, 2015, the BTG Pactual Group was affected by events related to the former chief executive officer of Banco BTG Pactual and controlling shareholder, Mr. André Santos Esteves. Even though no entity in the BTG Pactual Group is named in any investigation or allegation, news relating to Mr. Esteves impacted the price of our units and bonds, and thus our management decided to adopt a series of actions to preserve liquidity and capital. One of the measures adopted was to sell Banco BTG Pactual's interest in BSI. On November 1, 2016, Banco BTG Pactual sold BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration for the sale comprised of: (i) CHF575 million in cash, (ii) 86.2 million in EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million in bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF390 million. The purchase price was later reduced by CHF 89 million as a result of an arbitration with EFG. In addition, on April 8, 2016, Banco BTG Pactual decided to spin-off its commodity trading activities, with the exception of its Brazilian energy trading desk, from the operational structure of Banco BTG Pactual and to reorganize its commodities platform under Engelhart CTP.

On February 14, 2017, our and PPLA's board of directors approved two new unit programs, which are currently traded on the B3. The first unit program includes units traded under the "BPAC11" ticker symbol and comprised of one common share and two class A preferred shares issued by Banco BTG Pactual. The second unit program includes units traded under the "BBTG12" ticker symbol and comprised of one BDR representing one class A share and one BDR representing two class B shares issued by PPLA Participations (formerly, BTG Pactual Participations Ltd).

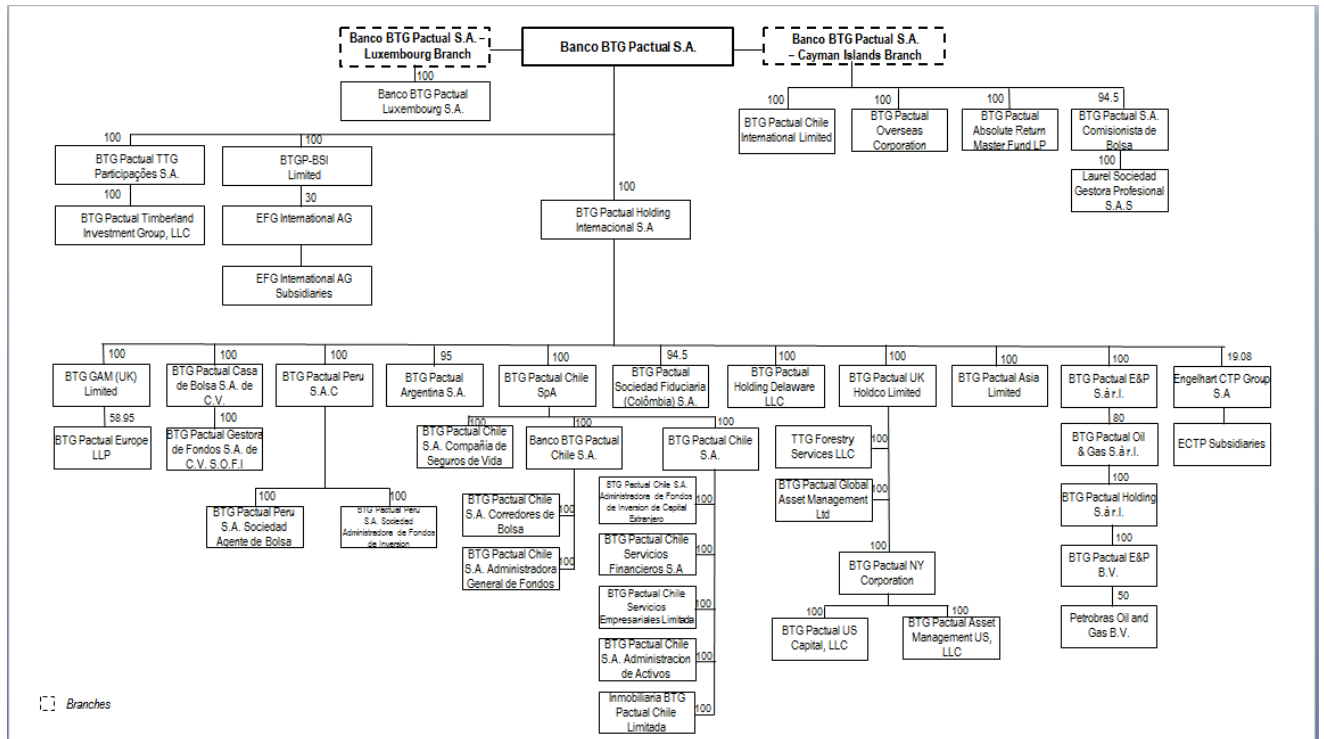
Our Organizational Structure

The diagrams below depict our simplified ownership structure in Brazil and abroad, respectively. For information regarding our principal subsidiaries, see “Business—Subsidiaries.”

Organizational Structure – Brazil



Organizational Structure – Abroad



THE OFFERING

The following is a brief summary of the terms and conditions of the Notes and is subject to and qualified in its entirety by the section “Terms and Conditions of the Notes” in this Offering Memorandum and the Trust Deed relating thereto. Terms which are defined in other sections of the Offering Memorandum or in the Terms and Conditions of the Notes have the same meaning when used in this summary.

Issuer	Banco BTG Pactual S.A., acting through its principal office in Brazil, its Cayman Islands Branch or its Luxembourg Branch.
Description	Global Medium-Term Note Programme.
Arranger	BTG Pactual US Capital, LLC.
Dealers	BTG Pactual US Capital, LLC. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Memorandum to “Permanent Dealers” are to the persons listed above as continuing Dealers and to such additional persons that are appointed as continuing Dealers in respect of the Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee	Deutsche Trustee Company Limited.
London Paying Agent	Deutsche Bank AG, London Branch.
Principal Paying Agent	Deutsche Bank AG, London Branch or such other Principal Paying Agent as specified in the relevant Final Terms.
Paying Agents	The London Paying Agent, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas and any other Paying Agent as specified in the relevant Final Terms.
Registrars	Deutsche Bank Trust Company Americas (the “U.S. Registrar”) and Deutsche Bank Luxembourg S.A. (the “European Registrar”), as specified in the relevant Final Terms.
Transfer Agents	Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A., Deutsche Bank Trust Company Americas and any other Transfer Agent as specified in the relevant Final Terms.
Calculation Agent	Deutsche Bank AG, London Branch.
Final Terms	The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to any Notes and any other relevant provisions of such Notes will be agreed between the Issuer and the relevant Dealer(s) at the time of agreement to issue such Notes and will be specified in the relevant Final Terms. The Final Terms will, for the purposes of each Series and Tranche, complete the Terms and Conditions of the Notes and this Offering Memorandum and must be read in conjunction with this Offering Memorandum.

Currency	Subject to compliance with all relevant laws, regulations and directives, any currency as may be agreed between the Issuer and the relevant Dealer(s).
Amount	Up to US\$5,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate nominal amount of Notes. Under the Dealer Agreement, the nominal amount of Notes which may be issued under the Programme may be increased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate nominal amount of Notes outstanding, Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortization yield formula as specified in the relevant Final Terms or, if none is specified in the relevant Final Terms, their face amount and Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity from 30 days or such other minimum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price	Notes may be issued at their nominal amount or at a discount to or premium over their nominal amount.
Method of Issue	The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.
Form of Notes	<p>The Notes may be issued in the form of Bearer Notes or Registered Notes, as specified in the relevant Final Terms.</p> <p>Subject as provided below, each Series of Bearer Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary—The Offering—Selling Restrictions”), otherwise such Series will be represented by a permanent Global Note.</p> <p>Each Series of Registered Notes will be represented on issue by an Unrestricted Global Note and/or a Restricted Global Note.</p>

Clearing Systems	Euroclear and Clearstream, Luxembourg for Bearer Notes, Euroclear, Clearstream, Luxembourg and DTC for Registered Notes.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Temporary Global Note or Global Note representing Bearer Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or the Unrestricted Global Note and/or Restricted Global Note representing Registered Notes may be registered in the name of and deposited with a nominee of a common depositary for Euroclear and Clearstream, Luxembourg or a nominee of DTC. Notes may also be deposited with any other clearing system or may be delivered outside any clearing system <i>provided</i> that the method of such delivery has been agreed in advance by the Issuer, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Denomination	Notes will be in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and specified in the relevant Final Terms, save that (i) unless otherwise permitted by then-current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) will have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to a class of professional investors; and (ii) Registered Notes resold pursuant to Rule 144A shall be in denominations of not less than US\$200,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) or higher integral multiples of US\$1,000.
Fixed Rate Notes	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or</p> <p>(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.</p> <p>Floating Rate Notes may have a maximum interest rate, a minimum interest rate or both.</p>

Zero Coupon Notes	Zero Coupon Notes do not bear interest but will ordinarily be issued at a discount to their nominal amount. The amount payable on early redemption of a Zero Coupon Note will be specified in the relevant Final Terms.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then-current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) and be issued only to a limited class of professional investors.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Optional Redemption	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so, the terms applicable to such redemption.
Status of Notes	All Notes issued under the Programme will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at all times <i>pari passu</i> and without any preference among themselves.
Negative Pledge	So long as any Notes remain outstanding, the Issuer will not create or permit to subsist any mortgage, pledge, lien, hypothecation or other security interest, other than Permitted Security, over the whole or any part of its undertaking or assets, present or future, to secure any of its Public External

Indebtedness without, at the same time or prior thereto, securing the Notes equally and ratably therewith.

Each of the terms “Public External Indebtedness” and “Permitted Security” is defined in “Terms and Conditions of the Notes—Negative Pledge.”

Early Redemption..... Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes—Redemption and Purchase.”

Withholding Tax..... All payments of principal and interest in respect of the Notes will be made free and clear of withholding or deduction for or on account of taxes of Brazil, the Cayman Islands, Luxembourg or any other jurisdiction from or through which payments under the Notes are made, unless such withholding or deduction is required by law and subject to customary exceptions, all as described in “Terms and Conditions of the Notes—Taxation.”

Governing Law The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

Ratings..... The rating of certain series of Notes to be issued under the Programme may be specified in the applicable Final Terms.

Listing..... Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or trade on the Euro MTF Market. The relevant Final Terms will specify whether or not Notes of the relevant Series will be listed on the Official List of the Luxembourg Stock Exchange or on any other stock exchange and/or markets.

Selling Restrictions See “Subscription and Sale.”

Each Series of Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Transfer Restrictions..... There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A or in reliance on Regulation S under the Securities Act. See “Transfer Restrictions.”

Tax Considerations	For a discussion of certain Brazilian, Cayman Islands, Luxembourg, European and United States federal income tax considerations regarding the acquisition, ownership and disposition of the Notes, see “Taxation.”
ERISA Considerations	The Notes should not be acquired by an “employee benefit plan” (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended) (“ERISA”) that is subject to Title I of ERISA, a “plan” (as defined in Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) that is subject to Section 4975 of the Code, any non-U.S., governmental or church plan that is not subject to such provisions of ERISA or the Code but is subject to the provisions of any non-U.S. or U.S. federal, state or local law that is substantially similar to the Title I of ERISA or Section 4975 of the Code (“Similar Law”), or any entity or account whose assets are deemed to be assets of any such employee benefit plan or plan, unless the purchase and holding of the Notes by such plan, entity or account will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Law. Each purchaser and/or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA, the Code and Similar Law, including that if it is subject ERISA or Section 4975 of the Code, it is represented by an “independent fiduciary.” Potential purchasers should read the sections entitled “Certain ERISA Considerations” and “Transfer Restrictions.”

SUMMARY FINANCIAL AND OPERATING INFORMATION

The tables below set forth our summary financial and operating information as of and for the periods indicated. You should read the information below in conjunction with our consolidated financial statements and related notes and the sections “Presentation of Financial and Other Information,” “Selected Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following summary financial data has been derived from our: (i) unaudited interim consolidated financial statements as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 and the notes thereto and (ii) audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 and the notes thereto, which are included elsewhere in this Offering Memorandum.

The presentation of our audited income statement is based upon Brazilian GAAP and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market. Our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be considered in isolation or construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors. Accordingly, you are cautioned to not place undue reliance on our unaudited adjusted income statement.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See “Presentation of Financial and Other Information—Our Unaudited Adjusted Income Statement.”

We have translated some of the *real* amounts included in this Offering Memorandum into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$3.1680 to US\$1.00 which was the exchange rate in effect as of September 30, 2017, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars or Swiss Francs at such rates or at any other rate. The *real*/U.S. dollar exchange rates may fluctuate widely, and the exchange rate as of September 30, 2017 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the *real*/U.S. dollar exchange rates. See “Exchange Rates.”

Summary Balance Sheet

	As of December 31,			As of September 30,	
	2014	2015	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)	(in US\$ millions)
Assets				(Unaudited)	
Cash at banks.....	1,585.3	20,490.9	674.1	837.1	264.2
Interbank investments	37,171.6	32,586.5	20,752.7	25,326.3	7,994.4
Securities and derivative financial instruments .	67,738.3	77,669.0	37,486.2	38,267.4	12,079.4
Interbank transactions	1,164.0	1,921.3	2,235.3	1,541.4	486.6
Loans	16,203.0	55,665.1	9,513.4	11,937.7	3,768.2
Securities trading and brokerage	11,231.6	12,906.1	2,790.9	6,014.0	1,898.4
Other receivables	21,050.8	44,740.1	29,524.5	23,959.1	7,562.8
Other assets	219.5	252.6	153.5	187.0	59.0
Permanent assets	6,298.8	8,317.1	8,640.9	5,639.8	1,780.2
Total assets	162,662.9	254,548.7	111,771.6	113,709.8	35,893.2
Liabilities and Shareholders' equity					
Deposits	19,292.3	86,743.5	7,690.8	8,322.7	2,627.1
Open market funding	38,400.4	20,308.2	24,904.0	27,635.7	8,723.4
Funds from securities issued and accepted	20,783.8	19,559.2	10,335.7	7,964.7	2,514.1
Interbank transactions	3.1	7.2	5.1	5.0	1.6
Loans and onlending	6,868.6	8,097.6	3,544.8	4,104.9	1,295.7
Derivative financial instruments	30,074.8	42,327.0	9,644.9	13,296.8	4,197.2
Other liabilities					
Securities trading and brokerage	4,632.5	12,655.3	4,102.0	7,381.2	2,329.9
Subordinated debts	7,418.6	8,297.2	7,283.0	6,721.6	2,121.7
Debt instrument eligible to equity	3,497.8	5,160.4	4,305.2	4,104.8	1,295.7
Other liabilities	16,193.9	31,140.0	21,961.7	15,280.4	4,823.4
Deferred income	171.1	310.4	141.8	142.2	44.9
Non-controlling interest	592.8	229.4	125.5	140.4	44.3
Shareholders' equity	14,733.3	19,713.3	17,727.2	18,609.3	5,874.1
Total liabilities and shareholders' equity	162,662.9	254,548.7	111,771.6	113,709.8	35,893.2

Summary Income Statement

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)		(in US\$ millions)
				(Unaudited)		
Financial income	13,328.3	15,565.0	13,451.1	11,052.9	7,519.3	2,373.5
Loans	2,289.5	3,118.7	1,809.4	1,570.2	1,250.5	394.7
Securities	7,916.4	10,251.5	4,969.8	3,441.4	4,766.5	1,504.6
Derivative financial instruments.....	2,182.2	2,068.4	4,161.8	3,900.3	1,127.2	355.8
Foreign exchange	914.9	0.0	2,308.0	1,994.0	252.1	79.6
Mandatory investments	25.2	126.3	202.1	147.0	123.0	38.8
Financial expenses	(10,643.8)	(15,767.4)	(6,642.6)	(4,727.1)	(4,478.3)	(1,413.6)
Funding operations	(7,972.8)	(9,236.7)	(7,111.4)	(5,320.7)	(4,084.5)	(1,289.3)
Borrowings and onlending	(2,152.5)	(5,880.0)	565.8	635.6	(187.2)	(59.1)
Foreign exchange	0.0	(82.9)	0.0	0.0	0.0	0.0
Allowance for loan losses and other receivables ..	(518.5)	(567.7)	(97.0)	(42.0)	(206.6)	(65.2)
Net financial income (loss)	2,684.4	(202.4)	6,808.5	6,325.8	3,041.0	959.9
Other operating income (expenses)	1,225.2	1,302.9	(2,554.1)	(2,452.8)	(2,051.0)	(647.4)
Income from services rendered	2,918.0	3,505.5	2,697.8	2,327.7	1,080.3	341.0
Personnel expenses	(771.0)	(1,633.9)	(1,676.6)	(1,540.6)	(480.6)	(151.7)
Other administrative expenses	(1,350.0)	(2,092.7)	(2,134.8)	(1,924.1)	(2,436.1)	(769.0)
Tax charges	(298.4)	(191.1)	(556.1)	(462.8)	(177.7)	(56.1)
Equity in the earnings of associates and jointly controlled entities	528.5	1,506.7	(794.0)	702.2	41.3	13.0
Other operating income	640.3	2,236.5	1,266.8	942.2	644.5	203.4
Other operating expenses	(442.4)	(2,028.1)	(1,357.1)	(1,093.0)	(722.7)	(228.1)
Operating income	3,909.7	1,100.5	4,254.4	3,873.0	990.0	312.5
Non-operating income (expenses)	38.3	2,737.1	940.1	562.2	(7.0)	(2.2)
Income before taxation and profit sharing	3,948.0	3,837.6	5,194.5	4,435.3	983.0	310.3
Income tax and social contribution	86.4	3,159.6	(1,112.9)	(1,198.7)	1,200.6	379.0
Provision for income tax	(709.2)	(1,293.7)	(190.8)	(219.3)	586.4	185.1
Provision for social contribution	(231.0)	(453.1)	(157.1)	(148.5)	634.3	200.2
Deferred income tax and social contribution	1,026.6	4,906.4	(765.1)	(830.9)	1,152.8	363.9
Statutory profit sharing	(881.1)	(1,534.5)	(721.5)	(556.1)	(466.1)	(147.1)
Non-controlling interest	215.9	160.8	48.5	48.3	6.0	1.9
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5	544.0
Interest on equity	(600.0)	(914.8)	(1,390.0)	(500.0)	(623.8)	(196.9)

Unaudited Adjusted Income Statement

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in US\$ millions)		
Investment banking	456.1	382.8	367.1	252.2	222.4	70.2
Corporate lending	675.3	983.4	876.6	699.9	627.6	198.1
Sales and trading	2,966.4	4,806.0	2,816.5	2,567.0	1,698.0	536.0
Asset management.....	1,378.3	1,252.2	539.6	426.4	317.1	100.1
Wealth management.....	393.4	1,454.5	2,407.9	2,323.2	270.3	85.3
Principal investments	(423.6)	548.2	(29.8)	73.2	104.0	32.8
Participations.....	(80.1)	6.0	(112.8)	(88.3)	(9.0)	(2.8)
Interest and other.....	1,186.5	1,647.8	1,932.1	1,521.7	926.8	292.6
Total revenues, net of direct expenses allocation	6,552.4	11,080.9	8,797.1	7,775.4	4,157.3	1,312.3
Bonus	(836.0)	(1,598.9)	(805.8)	(703.4)	(504.3)	(159.2)
Salaries and benefits.....	(695.0)	(1,385.7)	(1,637.4)	(1,506.3)	(397.8)	(125.6)
Administrative and others	(883.4)	(1,429.7)	(1,707.9)	(1,518.9)	(602.3)	(190.1)
Goodwill amortization.....	(160.9)	(209.1)	(243.8)	(158.6)	(226.0)	(71.3)
Tax charges, other than income tax	(154.5)	(430.4)	(370.7)	(351.5)	(174.9)	(55.2)
Total operating expenses.....	(2,729.9)	(5,053.8)	(4,765.6)	(4,238.6)	(1,905.3)	(601.4)
Income before taxes.....	3,822.4	6,027.1	4,031.6	3,536.7	2,252.0	710.9
Income tax and social contribution revenue (expense)	(453.2)	(403.6)	(623.0)	(808.0)	(528.5)	(166.8)
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5	544.0

THE ISSUER

All Notes under this Programme will be issued by us, either through our principal office in Brazil, our Cayman Islands Branch or our Luxembourg Branch, as specified on the Notes and the Final Terms related thereto.

Banco BTG Pactual, acting through its principal office in Brazil

For additional information regarding Banco BTG Pactual, see “Summary,” “Business” and “Management Discussion and Analysis of Financial Condition and Results of Operations.”

The Cayman Islands Branch

Our Cayman Islands Branch is duly licensed and qualified to do business as a branch of a foreign bank in accordance with the laws of the Cayman Islands.

The establishment of the Cayman Islands Branch was approved by the Central Bank on March 31, 2011.

The Cayman Islands Branch is obligated to comply with the risk limits and guidelines established by the Central Bank regarding both assets and liabilities. Under Brazilian law, the obligations of the Cayman Islands Branch are obligations of Banco BTG Pactual.

The registered office of our Cayman Islands Branch is located at PO Box 1353, Harbour Place, 5th Floor, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands.

The Luxembourg Branch

The Luxembourg Branch, is registered with the Luxembourg Register of Commerce and Companies under number B 183229. It is licensed as a branch of a credit institution originating from a non-Member State of the European Union authorized in Luxembourg according to article 32 of the Luxembourg Law, dated April 5, 1993, relating to the financial sector, as amended (the “Luxembourg Banking Law”) and is included on the official list of authorized credit institutions (*le tableau des banques établies au Luxembourg conformément à la loi du 5 avril 1993*). Accordingly, it is subject to the Luxembourg Banking Law, in addition to other legal and regulatory requirements as well as the supervision of the CSSF and Luxembourg Central Bank (the “BCL”). Luxembourg is internationally recognized as a leading banking center, has clear, advanced and transparent regulations, is politically and economically stable and has a large pool of skilled service providers.

The establishment of the Luxembourg Branch was approved by the Central Bank on November 28, 2013, and following review by the CSSF, the Luxembourg Minister of Finance granted authorization to the Luxembourg Branch on January 24, 2014.

The Luxembourg Branch has a dedicated team in Luxembourg, including two authorized representatives that manage this branch’s day-to-day activities. It operates with a universal banking license and, therefore, is authorized to perform a wide range of banking activities. In the short term, we expect the Luxembourg Branch to focus primarily on the issuance of debt instruments and corporate lending activities.

The Luxembourg Branch is obligated to comply with the risk limits and guidelines established by the Central Bank regarding both assets and liabilities. In addition, the Luxembourg Branch is subject to the legal and regulatory requirements applicable to branches of non-EU and non-EEA credit institutions in Luxembourg. Under Brazilian law, the obligations of the Luxembourg Branch are obligations of Banco BTG Pactual.

The current address of the Luxembourg Branch is 15, rue Bender, L-1229 Luxembourg, Grand Duchy of Luxembourg.

RISK FACTORS

Investing in the Notes involves a high degree of risk. You should carefully consider all of the information set forth in this Offering Memorandum, including the risks described below, before making an investment decision. If any of the following risks actually occurs, we will be adversely affected and you could lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us. Additional risks and factors not currently known to us, or those that we currently deem to be immaterial, may also adversely affect us.

For the purposes of this section, when we state that a risk, uncertainty or problem may, could or will have an “adverse effect on us” or “will adversely affect us,” we mean that the risk, uncertainty or problem could have an adverse effect on our business, financial condition, results of operations, cash flow, liquidity and/or prospects and/or the trading price of the Notes, except as otherwise indicated.

Risks Relating to Our Business and Industry

We may incur significant losses from our trading and investment activities due to market fluctuations and volatility.

We maintain large trading and investment positions in the fixed income, currency, commodity and equity markets – both in Brazil and elsewhere, including in Europe and the United States. To the extent that we have long positions in any of our assets in any of those markets, a downturn in those markets could result in losses from a decline in the value of those long positions. Conversely, to the extent that we have short positions in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market. We may from time to time have a trading strategy consisting of holding a long position in one asset and a short position in another, from which we expect to earn revenues based on changes in the relative value of the two assets. Many of our hedging strategies are based on trading patterns and correlations. If, however, the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we are not hedged, we may realize a loss in those paired positions. Accordingly, our hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. Unexpected market developments could impact our hedging strategies in the future. In addition, we maintain substantial trading and investment positions that can be adversely affected by the level of volatility in the financial markets (i.e., the degree to which trading prices fluctuate over a particular period, in a particular market) regardless of market levels.

We depend on our Senior Management Team and the departure of any member of this team could adversely affect our ability to execute our business strategies and investment policies.

We are dependent on our Senior Management Team for the development and the execution of our business strategies and investment policies, including the management and operation of our businesses. Our future success depends to a significant extent on the continued service of our Senior Management Team. We also rely on the network of business contacts, track records and reputation of these individuals.

Any member of our Senior Management Team may leave us to establish or work in businesses that compete with ours. In addition, if any member of our Senior Management Team joins an existing competitor or forms a competing firm, some of our clients could choose to use the services of that competitor. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our Senior Management Team are sufficiently broad or effective to prevent them from resigning in order to join or establish a competitor or that the non-competition agreements would be upheld in a court of law if we were to seek to enforce our rights thereunder. See “Our Partnership—Partner Non-Competition Agreements.”

For example, following the arrest, detainment and temporary suspension of employment of our former chief executive officer and chairman of our board of directors, André Santos Esteves, in 2015 over allegations of obstruction of justice and participation in a criminal enterprise (which charges we expect to be withdrawn at the request of the Brazilian Federal Prosecutor’s Office), we confronted a series of significant operational and financial challenges and related adverse effects (see “Business—Legal Matters”). While Mr. Esteves resumed working with us as a senior Partner following his release from house arrest in April 2016, the existing procedures involving him or

further accusations against him or other senior managers, whether substantiated or not, could have a material adverse effect on our reputation and business. In the event of the further departure or suspension of members of our Senior Management Team, we may confront difficulties in finding suitable replacements, which could have a material adverse effect on us.

Our ability to retain our professionals is critical to our success and our ability to grow and continue to compete effectively may depend on our ability to attract additional Partners and key professionals.

Our most important asset is our people, and our continued success (including our ability to compete effectively in our businesses) is highly dependent upon the efforts of all of our Partners (and, most importantly, our Senior Management Team). As a result, our growth and future success depends to a substantial degree on our ability to retain and motivate our Partners and other key professionals and to strategically recruit, retain and motivate new talent, including new Partners and key professionals. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. Our ability to attract, retain and motivate such personnel is dependent on our ability to offer highly attractive incentive opportunities. The incentives that we provide or offer to such personnel may not be effective to attract, retain and motivate such personnel.

Holding large and concentrated positions may expose us to large losses.

We have committed substantial amounts of capital to our businesses such as arbitrage, market-making, underwriting, lending and other trading and principal activities and may continue to do so in the future. These types of businesses often require us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. Moreover, the trend in all major capital markets is towards larger and more frequent commitments of capital in many of these activities. Holding large and concentrated positions in any particular issuer may expose us to large losses that could adversely affect us.

Our securities and derivative financial instruments are subject to market price and liquidity variations due to changes in economic conditions and may produce material losses that may adversely affect us.

Financial instruments and securities represent a significant amount of our total assets. Any realized or unrealized future gains or losses from these investments or hedging strategies could have a significant impact on our income. These gains and losses, which we account for when we sell or mark-to-market investments in financial instruments, can vary considerably from one period to another. For example, we enter into derivatives transactions to protect us against decreases in the value of the *real* (or any other currency) or in interest rates and the *real* (or any other currency) instead increases in value or interest rates increase, we may incur financial losses. We cannot forecast the amount of gains or losses in any future period, and the variations experienced from one period to another, do not necessarily provide a meaningful forward-looking reference point, particularly in Brazil given the current climate of market volatility. Gains or losses in our investment portfolio may create volatility in net revenue levels, and we may not earn a return on our consolidated investment portfolio, or on a part of the portfolio in the future. Any losses on our securities and derivative financial instruments could adversely affect us. In addition, the risk is amplified as the Brazilian economy slowly emerges from a prolonged recession in the face of ongoing political turmoil. Any decrease in the value of these securities and derivatives portfolios may result in a decrease in our capital ratios, which could impair our ability to engage in certain activities, such as lending or securities trading, at the levels we currently anticipate, and may also adversely affect our ability to pursue our growth strategies.

Our investment banking, corporate lending and sales and trading revenues may suffer in adverse market or economic conditions.

Unfavorable financial or economic conditions, both in Brazil and elsewhere, would likely reduce the number and size of transactions in which we provide underwriting, mergers and acquisitions advisory and other services. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation, interest rates, exchange rate volatility, default rates or the price of basic commodities; outbreaks of hostilities or other geopolitical instability; corporate, political or other scandals that reduce investor confidence in capital markets; or a combination of these or other factors.

Our investment banking revenues in the form of financial advisory and underwriting fees, are directly related to the number and size of the transactions in which we participate and would therefore be adversely affected by a sustained market downturn – even if the market downturn was primarily outside of Brazil. In particular, our results of operations would be adversely affected by a significant reduction in the number or size of offerings which we underwrite.

In addition, adverse economic conditions such as a prolonged slowdown in the Brazilian economy could adversely affect our commercial and consumer lending and our sales and trading business. Historically, GDP growth rates impact the volume of loans in Brazil as growth translates into an increase in income distribution and increased consumption. The significant growth in Brazil's GDP from 2008 to 2010 corresponded with an average increase in the volume of loans for the Brazilian banking industry. Since then, however, Brazilian GDP has demonstrated stagnated growth devolving into a prolonged recession. In 2014, Brazilian GDP grew only 0.5%, and since 2015, Brazil's GDP has contracted, registering losses in GDP of 3.8% and 3.6% in 2015 and 2016, respectively. Brazil's GDP did not present any growth in the first half of 2017 compared to the first half of 2016, with worsening inflation and amid a series of tax increases, spending cuts and decreased consumer confidence. In this context, it is possible that the expansion of our loan portfolio will be adversely affected.

Our investment banking advisory assignments do not necessarily lead to subsequent assignments.

Our clients generally retain us on a non-exclusive, short-term, assignment-by-assignment basis in connection with specific investment banking transactions or projects, rather than under exclusive long-term contracts. This is particularly true with respect to mandates to sell all or a significant portion of a client's business. Since these transactions and engagements do not necessarily lead to subsequent assignments, we must constantly seek out new engagements, mainly when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in the subsequent or any other period. In addition, when an engagement is terminated, whether due to the cancellation of a transaction as a result of market conditions or otherwise, we may earn limited or no fees and may not be able to recuperate the costs that we incurred prior to such termination.

Our asset management and wealth management business units may be affected by the poor investment performance of our investment products.

Poor investment returns in our asset management and wealth management business units due to underperformance (relative to our competitors or to benchmarks) by funds or accounts that we manage or investment products that we design or sell, affects our ability to retain existing assets and to attract new clients or additional assets from existing clients. This could adversely affect the management and performance fees that we earn on assets under management.

We may generate lower revenues from asset and wealth management fees in a market downturn and as a result of events that negatively affect our reputation.

A sustained market downturn could lead to a decline in the volume of transactions that we execute for our clients and, therefore, the revenues we receive from our asset and wealth management operations could further decline. For example, confronted with a challenging macroeconomic scenario in Brazil and in part due to the reputational consequences emanating from the arrest of André Santos Esteves in 2015, our revenues from asset management declined from R\$1,378.3 million in 2014 to R\$539.6 million in 2016. In addition, a market downturn may increase redemptions from clients migrating assets to more traditional and less risky classes of assets or reduce the value of clients' portfolios. Because the fees that we charge for managing our clients' portfolios are in many cases based on the value of those portfolios, any of these factors could reduce the revenue we receive from our asset and wealth management operations.

We are vulnerable to disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of any such financial crisis.

Our operations cause us to interact with a diverse group of counterparties, clients and other entities located in multiple jurisdictions. Accordingly, as a participant in the global economy, we are susceptible to interruptions and

challenges emanating from disruptions and instability in the global financial markets. For example, as a result of the 2008 credit and liquidity crisis, a number of major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, experienced significant difficulties. In particular, banks in many markets, including Brazil, faced decreased liquidity or a complete lack of liquidity, rapid deterioration of financial assets on their balance sheets and resulting decreases in their capital ratios that severely constricted their ability to engage in further lending activity. We routinely transact with such institutions as trading counterparties in various agreements and contracts in the financial services industry, as well as brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. If significant financial counterparties experience liquidity problems or the financial services industry in general is unable to fully recover from the effects of a financial crisis, this can have an adverse effect on us.

In addition, the financial condition of our borrowers has, in some instances, been adversely affected by the financial and economic crisis, including the European debt crisis starting in 2010, which, in turn, increased our non-performing loans, impaired our loans and other financial assets and resulted in decreased demand for borrowings in general. Further disruption and volatility in the global financial markets could have further negative effects on the financial and economic environment and us. In addition, a prolonged economic downturn would result in a general reduction in business activity and a consequent loss of income, which could have an adverse effect on us.

We are exposed to certain risks that are particular to emerging and other markets.

In conducting our businesses in Brazil, as well as other emerging markets, we are subject to political, economic, legal, operational and other risks that are inherent to operating in these countries. These risks range from difficulties in settling transactions in emerging markets due to possible nationalization, expropriation, price controls and other restrictive governmental actions. We also face the risk that exchange controls or similar restrictions imposed by foreign governmental authorities may restrict our ability to convert local currency received or held by us in their countries into U.S. dollars or other currencies, or to take those dollars or other currencies out of those countries.

Changes in base interest rates by the Central Bank could adversely affect us.

A significant portion of our business is conducted in Brazil, where the Central Bank's Monetary Policy Committee (*Comitê de Política Monetária*) ("COPOM") establishes the target base interest rate for the Brazilian banking system, and uses changes in this rate as an instrument of monetary policy. The base interest rate is the benchmark interest rate payable to holders of certain securities issued by the Brazilian government and traded in the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*) ("SELIC"). In recent years, the base interest rate (the "SELIC rate"), has fluctuated significantly reflecting the corresponding volatility in the macroeconomic scenario and inflationary environment. During 2014, as a result of increased prospects of inflation and macroeconomic instability, COPOM increased the SELIC rate, reaching 11.75% as of December 31, 2014. The continued political instability in Brazil coupled with the sustained inflationary environment continued to be reflected in the SELIC rate, corresponding to an increased rate of 14.25% and 13.75% as of December 31, 2015 and December 31, 2016, respectively. As of September 30, 2017, the SELIC rate was 8.25% and as of the date hereof it is 7.00%.

A significant portion of our income, expenses and liabilities is directly tied to interest rates. Therefore, our results of operations and financial condition are significantly affected by inflation, interest rate fluctuations and related government monetary policies.

A liquidity crisis in Brazil may adversely affect us.

Any international or domestic crisis could lead to a flight of capital from Brazil and/or cause the Central Bank to increase the benchmark rate of interest drastically, which could cause a crisis of liquidity in the Brazilian market. Any such liquidity crisis would lead to a scarcity of funding and liquid assets among Brazilian companies and financial institutions, which could harm the credit markets and our business. Any adverse events affecting the Brazilian economy could directly or indirectly impair our customers' ability to pay their debts or adversely impact us in other ways.

Our ability to expand internationally will depend on our ability to compete successfully with financial institutions globally.

We believe that there are attractive opportunities for selective expansion outside Brazil, as evidenced by our 2012 acquisitions of Celfin and Bolsa y Renta, the opening of a bank in Chile in December of 2014 and the opening of our local offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions and asset and wealth managers based in important non-Brazilian markets, particularly in Latin America, the United States, Europe and Asia. Some of these institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets than we do. We cannot assure you that our strategy of expanding internationally will be successful.

We may not be able to successfully identify, consummate, integrate, or achieve the benefits from our past and future acquisitions.

Strategic acquisitions have historically been part of our growth strategy and, while we have recently pursued primarily a strategy of divestment, we anticipate that going forward we will continue making strategic acquisitions of businesses or assets that are complementary to our core business, geographies and client coverage. We have engaged in a number of mergers and acquisitions in the past and may make further acquisitions in the future as part of our growth strategy in the financial services industry.

We cannot assure you that we will be able to identify and secure suitable acquisition opportunities. In addition, our ability to make successful acquisitions on terms that are favorable to us may be limited by the number of acquisition targets available, internal demands on our resources and, to the extent necessary, our ability to obtain financing on satisfactory terms for larger acquisitions, as well as our ability to obtain any required shareholders' corporate, regulatory or government approvals. Moreover, even if an acquisition target is identified, the third parties with whom we seek to cooperate may not be willing to enter into arrangements on commercially acceptable terms with respect to a particular transaction. Even if we have entered into definitive agreements to consummate an acquisition, the acquisition may not be completed for an extended period of time, or at all, for various reasons, including failure to satisfy closing conditions or failure to receive the required regulatory approvals or conditions for approval may be imposed that we cannot now anticipate. The negotiation and completion of potential acquisitions, whether or not ultimately consummated, could also potentially disrupt our existing business or divert substantial resources. As a result, our business, growth prospects, results of operations and financial condition could be materially and adversely affected.

In addition, the acquisitions we make may expose us to risks of unknown obligations or contingencies of the acquired companies or assets incurred prior to their acquisition. The due diligence we perform to evaluate the legal and financial condition of the companies to be acquired, as well as any contractual guarantees or indemnities we receive from the sellers of the target companies or businesses, may be insufficient to protect or indemnify us for any contingencies that may surface. Any significant contingencies arising from acquisitions may harm our activities and results. In addition, we may acquire companies that are not subject to independent external audit, which may increase the risks relating to our acquisitions.

Successful integration of our acquisitions is important to achieving our goal of becoming a global leader in financial services. Our inability to realize the benefit of any acquisition may be due to a variety of factors, including our inability to (i) implement our firm's culture at the companies we acquire, (ii) integrate our respective operating and accounting policies and procedures as well as information systems and back office operations with those of the companies we acquire, (iii) streamline overlapping operations and consolidate subsidiaries, (iv) retain existing senior and middle management teams to the extent we deem necessary or carry out anticipated headcount reductions, (v) avoid potential loss of or harm to relationships with the existing clients of the acquired businesses or our existing clients, or (vi) otherwise generate sufficient revenues to offset the costs and expenses of acquisitions. Moreover, the success of any acquisition will at least in part be subject to a number of economic and other factors that are beyond our control. Any one or a combination of the factors mentioned above may result in our failure to integrate the businesses or assets that we have acquired or will acquire or to obtain the growth or synergies we expect to obtain from a particular transaction. As a result, our business, operating results and financial condition could be materially and adversely affected.

We face enhanced risks as new business initiatives lead us to transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.

Strategic acquisitions, new business initiatives and international expansion may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and expose us to new asset classes and new markets. Such activities may expose us to new and enhanced risks, including risks associated with dealing with governmental entities, reputational concerns arising from dealing with less sophisticated counterparties and investors or in connection with the manner in which these assets are being operated or held, greater regulatory scrutiny of these activities, and increased credit-related, sovereign and operational risks.

The financial services industry is intensely competitive.

The financial services industry is intensely competitive with significant participants that are local entities as well as local offices or units of major international securities firms and we expect it to remain so. We compete on the basis of a number of factors, including transaction execution, products and services, innovation, reputation and price. We have experienced intense price competition in some of our businesses in recent years, such as underwriting fees in equity offerings. We believe we may experience pricing pressures in these and other areas in the future as some of our competitors may seek to obtain market share by reducing prices. Because of the risk of increased competition, we cannot assure you that we will be able to successfully execute our investment focus to create value for our unit holders or continue the pace of growth or profitability that we have experienced historically.

Specifically in relation to Brazil, Chile, Mexico and certain other key Latin American markets, their attractiveness appears to be increasing and this is likely to result in more competition. Depending on the segment, our competitors may be substantially larger and have considerably greater financial, technical and marketing resources than we do. We already face significant competition in all of our principal areas of operation from other large Brazilian and international banks, both public and private. In recent years, the presence of foreign banks in Brazil and certain other key Latin American markets has grown and competition in the banking sectors and in markets for specific products has increased. We cannot assure you that we will be able to grow or maintain our market share.

We face increased competition due to a trend toward consolidation.

The scale of our competitors has increased in recent years as a result of substantial consolidation among companies in the investment banking industry. In addition, both in Brazil and elsewhere, a number of large commercial banks and other broad-based financial services firms have established or acquired financial advisory practices and broker-dealers or have merged with other financial institutions and/or asset wealth managers. These firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset and wealth management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses, among others. In particular, the ability to provide financing as well as advisory services has become an important advantage for some of our larger competitors. An increase in competitive conditions may also adversely affect us as a result of, among other factors, difficulties in trying to increase our client base and expand our operations, decreases in our profit margins on our activities and increasing competitiveness for investment opportunities.

Our market, credit and operational risk management policies, procedures and methods may not be fully effective in mitigating our exposure to unidentified or unanticipated risks.

Our market and credit risk management techniques and strategies, including our use of Value at Risk (“VaR”) and other statistical modeling tools, may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition,

our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential clients believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits. Other risk management methods depend upon evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by us. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Although we regularly review our credit exposure to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect, such as fraud. We may also fail to receive full information with respect to the trading risks of counterparties. In addition, in cases where we have extended credit against collateral, we may find that we are under secured, for example, as a result of sudden declines in market values that reduce the value of collateral.

We may not be able to prevent our officers, employees or third parties acting on our behalf from engaging in situations that qualify as corruption in Brazil or in any other jurisdiction, which could expose us to administrative and judicial sanctions, as well as cause adverse material effect to us.

We are subject to Brazilian anticorruption legislation, to the countries where we have branches, as well as to those with a transnational scope. These laws require the adoption of integrity procedures to mitigate the risk that any person acting on our behalf may offer an improper advantage to a public agent in order to obtain benefits of any kind. Applicable transnational legislation, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, as well as the applicable Brazilian legislation (mainly Brazilian Law No. 12,846/2013 – *Lei Anticorrupção Brasileira*), require us, among other things, the maintenance of policies and procedures aimed at preventing any illegal or improper activities related to corruption involving government entities and officials in order to secure any business advantage, and require us to maintain accurate books and a system of internal controls to ensure the accuracy of our books and prevent illegal activities. If our policies and procedures designed to prevent bribery and other corrupt practices were not in the past or are not in the future capable of preventing voluntary or inadvertent action by our administrators, employees or third parties acting on our behalf that constitutes corruption, applicable regulatory agencies, to which we respond, have the power and authority to impose fines and other penalties.

Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.

There are ongoing investigations being conducted by the CVM, the SEC, the U.S. Department of Justice (“DOJ”), the Brazilian Federal Police and other Brazilian public authorities responsible for corruption and cartel investigations in connection with corruption allegations (the so called *Lava Jato* investigations) consisting, among other things, of illegal payments made by Brazilian companies to officers, directors and other employees of Petrobras, a Brazilian state-controlled energy company, in order to influence its commercial decisions.

A substantial portion of our business activity is conducted in Brazil and we believe that these investigations have had, and may continue to have, an adverse effect on the Brazilian economy, the general business environment in which we operate and investor sentiment toward Brazil.

Through our corporate lending business, we have extended loans to companies in the Brazilian construction sector that are subject to the *Lava Jato* investigations. If the financial condition of these borrowers is adversely affected by the consequences of these investigations, these borrowers may be required to pay substantial fines, experience liquidity problems or may be restricted in their ability to make payments on these loans, which may increase our number of non-performing loans and could result in decreased demand for borrowings in general and adverse impact to our business.

In addition, our portfolios of merchant banking, real estate and private equity investments include companies which are directly connected to Petrobras. For example, See “Business–Business Units–Asset Management–Management of Funds and –Principal Investments–Our Real Estate Investments and –Our Merchant Banking Investments.” Poor returns on these or other investments that are negatively affected by the *Lava Jato* investigations may adversely affect our business, results of operations and financial condition.

In November 2015, André Santos Esteves, then the CEO, chairman and largest shareholder of Banco BTG Pactual, was temporarily taken into custody in Brazil in connection with allegations of obstruction of justice. Following such arrest, we conducted an internal investigation coordinated by an independent committee in conjunction with external legal counsel and forensic and financial consultants, and found no basis to conclude that the allegations of misconduct and corruption against Mr. Esteves, Banco BTG Pactual or our personnel that were the subject of the investigation are credible, accurate or otherwise supported by reliable evidence. On September 1, 2017, the Brazilian Federal Prosecutor's Office filed its closing arguments requesting the dismissal of all charges against Mr. Esteves, which request is awaiting court approval. However, as a result of certain statements included in the plea bargain of Delcídio do Amaral Gomez, a former Brazilian senator, Mr. Esteves became subject to additional corruption-related investigations. See "Business—Legal Matters." Other corruption related allegations have been made against Mr. Esteves in connection with an investment by Banco BTG Pactual in assets acquired by Banco BTG Pactual from Petrobras from its PetroAfrica subsidiary as well. None of the foregoing matters, and other matters involving us, have resulted in any criminal charges being brought against Mr. Esteves, us or any other Banco BTG Pactual employees, and Mr. Esteves and Banco BTG Pactual continue to cooperate with all authorities in any investigations that are proceeding and we continue to monitor the situation.

While a conviction of Mr. Esteves in the ongoing criminal proceedings seems unlikely given the decision by the Brazilian Federal Prosecutor's Office to seek a dismissal of all charges as described above, we cannot predict the ultimate outcome of that criminal proceeding or whether any of the investigations will result in criminal charges being brought against Mr. Esteves or us and what impact, if any, any such proceedings or investigations may or could have on Mr. Esteves or us and any of our businesses, including any potential fines and penalties, regardless of whether there is a determination of any wrongdoing.

Moreover, in response to these allegations against Mr. Esteves, our management adopted a series of actions to preserve liquidity and capital, which included, among other actions, the disposal of certain relevant investments in subsidiaries and affiliates and corporate restructuring of certain other of our investments. However, we cannot guarantee that such actions, while designed to preserve liquidity and financial stability in the short term will not hamper our long-term strategic goals.

We cannot predict with certainty the severity or scope of the adverse effects that such events will have on us. We may have to continue to devote significant time to addressing the challenges arising from these allegations. Further investigations, whether made in connection with the current anti-corruption investigations or otherwise, may arise in the future and such potential investigations could have an adverse effect on our business, results of operations and financial condition.

Our unaudited adjusted income statement presented in this Offering Memorandum was not prepared in accordance with Brazilian GAAP or IFRS, is not indicative of our results of operations and should not be considered in isolation or as an alternative to the financial statements included in this Offering Memorandum.

In addition to our income statement derived from our consolidated financial statements, we have included in this Offering Memorandum our unaudited adjusted income statement and a discussion of such unaudited adjusted income statement. The classification of the line items in our unaudited adjusted income statement has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See "Presentation of Financial and Other Information—Financial Statements." As a result, our unaudited adjusted income statement (i) was not prepared in accordance with Brazilian GAAP nor IFRS, (ii) should not be presumed to be separate stand-alone operating segments under IFRS because our management does not rely on such information for decision-making purposes, (iii) contains data about our business, operating and financial results that are not directly comparable to the financial statements included in this Offering Memorandum and (iv) is not indicative of our results of operations nor should not be considered in isolation or as an alternative to such financial statements.

The recoverable amounts of fixed assets, intangible assets and equity investments used in our financial impairment tests may differ from the actual recoverable amount of such assets, which could adversely affect us.

The applicable Brazilian accounting rules and IFRS require us to carry out calculations of the value of our assets so that they are not recorded in amounts greater than what is actually recoverable through use or sale of the

asset. In cases where this occurs, we record an impairment loss in our income statement equal to the difference between the two amounts. Under these rules, we must estimate the recoverable amount based on prices quoted in the market, discounted cash flows or other techniques, which requires our management to make subjective decisions and adopt assumptions it deems adequate. If management uses incorrect assumptions and the recoverable value of the asset is lower than previously estimated, we would be required to adjust our financial statements to reduce the accounting value of the asset further, which would adversely affect us.

An inability to access financing or to sell assets could impair our liquidity.

We depend on continuous access to credit to finance our day-to-day operations. An inability to raise long-term or short-term debt, or to engage in repurchase agreements or securities lending, could have a substantial negative effect on our liquidity. Our access to credit in amounts adequate to finance our activities could be impaired by factors that affect us in particular or the financial services industry in general. For example, lenders could develop a negative perception of our long-term or short-term financial prospects and restrict our access to financing if we incurred large trading losses, if the level of our business activity decreased due to a market downturn, if regulatory or governmental authorities took significant action against us or any members of our Senior Management Team or if we discovered that any of our personnel had engaged in unauthorized or illegal activity. Our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the prospects for the investment banking, securities or financial services industries generally.

In addition, we depend on inter-bank deposits as a principal source of unsecured short-term funding for our operations. As of December 31, 2016, we had R\$7,690.8 million of deposits, comprised mainly of time deposits in the amount of R\$7,336.1 million. Our liquidity depends to an important degree on our ability to refinance these borrowings on a continuous basis. Banks that hold inter-bank deposits with us have no obligation to renew these inter-banks deposits when the outstanding deposits mature. If we are unable to refinance these short-term borrowings, we will be adversely affected.

If we are unable to borrow in order to meet our maturing liabilities, we may need to liquidate assets. In certain market environments, such as times of market volatility or uncertainty, overall market liquidity may decline. In a time of reduced liquidity, we may be unable to sell some of our assets, or we may have to sell assets at depressed prices, which could adversely affect us. Our ability to sell our assets may be impaired by other market participants seeking to sell similar assets into the market at the same time.

A reduction in our credit ratings could adversely affect our liquidity and competitive position and increase our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings and that of Brazil. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place us on “credit watch” with negative implications at any time. Credit ratings are also important to us when competing in certain markets and when seeking to engage in longer-term transactions, including over-the-counter derivatives. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity.

For example, in 2016, the rating agencies, Moody’s Investor Service, Fitch Ratings Inc. and Standard and Poor’s downgraded certain of our securities reflecting the view that the our profile had been lastingly weakened following the arrest of our former chairman and CEO. In addition, the rating agencies anticipated that recurring earnings would decline as a result of client defection in certain business lines compounded by a general deterioration in the operating environment. In addition, the negative outlook of credit agencies’ captured execution risks related to the sale of assets as well as concerns regarding stabilizing profits, funding and liquidity. Starting at the end of 2016 and through 2017, credit ratings for Banco BTG Pactual improved or, at a minimum, were not subject to additional downgrades, with such shift in outlook attributable to our efforts to address negative pressures facing the franchise and our financial profile, however, there is no guarantee that rating agencies will not further downgrade our credit ratings and the ratings of our securities. Changes in circumstances, real or perceived, could result in material changes to credit ratings, which, in turn, could negatively impact our earnings and liquidity.

We may suffer significant losses from our credit exposures.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include our trading counterparties, clients, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from holding securities of third parties; entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to us; executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and extending credit to our clients through bridge or margin loans or other arrangements.

Additionally, as part of our brokerage business, we finance our client positions, and we could be held responsible for the defaults or misconduct of our clients. We are also experiencing pressure from corporate clients that require credit commitments in connection with investment banking and other assignments. Our broader credit portfolio, which consists mainly of loans, receivables, advances in foreign exchange contracts, securities with credit exposures (including debentures, promissory notes, real estate bonds, investment funds of credit receivables) and commitments (mainly letters of credit), had an average balance of R\$46.9 billion in 2015 and an average balance of R\$28.6 billion in 2016. In addition, as competition in the financial services industry has increased, we have experienced pressure to assume longer-term credit risk, extend credit against less liquid collateral and price more aggressively the credit risks that we take.

The ability of borrowers to meet their obligations on schedule is directly related to their operational and financial performance. An economic crisis such as the world financial crisis in 2008 and the European sovereign debt crisis in 2010 through 2012, or poor economic performance, such as a result of the recent recession in Brazil or otherwise, may also increase the number of defaulting borrowers. An increase in the number of defaulting borrowers within our credit portfolio may increase the losses resulting from loans and adversely affect us.

It may be difficult for us to repossess and realize value from collateral with respect to defaulted loans, which may adversely affect us.

When our customers default on collateralized loans our only recourse, after exhausting all extrajudicial collection measures, is to enforce the collateral. When dealing with financially distressed debtors, the recovery of these loans may also be subject to insolvency proceedings in which our claim may rank lower than other preferred creditors, such as employees and tax authorities. In addition, once we have obtained a court judgment, execution of the judgment in order to obtain the collateral for sale often involves additional obstacles. In view of all the steps necessary in judicial proceedings for debt collection and the low liquidity of specific markets, it may be difficult for us to realize value from collateral, which may adversely affect our financial condition and results of operations.

Defaults by other financial institutions could adversely affect financial markets generally and us specifically.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default by, one institution could lead to significant liquidity problems or losses in, or defaults by, other institutions. This is sometimes referred to as “systemic risk” and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis.

We may experience increases in our level of past due loans as our portfolio of credit products and derivatives increases.

We intend to continue to grow our portfolio of credit products and derivatives. Growth of this portfolio may initially reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. When the portfolio is seasoned, we may experience an increase in the absolute level of past due loans. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans. In addition, as a result of our intention to increase our portfolio, our historic loan loss experience may not be indicative of our future loan loss experience.

If actual loan losses exceed credit risk provisions in our banking activities, we will be adversely affected.

Our financial condition and results of operations depend on the ability to assess losses associated with the risks to which we are exposed. We make allowances for loan losses in banking activities according to the parameters set forth in CMN Resolution No. 2,682 and using estimates that involve many factors, backed by available information including recent loss or default events, the economic scenario, the bank's financial situation and the internal risk rating of the loan. Calculating allowances for loan losses involves significant judgment on the part of management, and those judgments may change in the future depending on information as it becomes available. If actual loan losses exceed provisions for our corporate lending activities, we will be adversely affected.

We are subject to several operating risks inherent to our businesses, including in relation to the proper functioning of our operating systems.

Our businesses are highly dependent on our ability to process and monitor efficiently and accurately, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services we provide to clients, often must adhere to jurisdiction and client-specific guidelines, as well as legal, tax and regulatory standards. Our management of operational, legal, tax and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Despite the plans and facilities we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications or computer systems, internet, transportation, security systems or other services used by us or third parties with which we conduct business. If any of these infrastructure devices do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage. The inability of these devices to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Losses can also result from inadequate personnel, inadequate or failed internal control processes and systems, information systems failures or external events that interrupt normal business operations such as terrorist acts, natural disasters and sabotage. We face the risk that the design of our controls and procedures for mitigating operational risk proves to be inadequate or is circumvented.

Industry consolidation, whether among market participants or financial intermediaries, increases the risk of operational failure as disparate complex systems need to be integrated, often on an accelerated basis. Furthermore, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses increases the risk that an operational failure at one institution may cause an industry-wide operational failure that could adversely affect us.

Failure to adequately protect ourselves against risks relating to cybersecurity could materially and adversely affect us.

We face various cybersecurity risks, including but not limited to: penetration of our information technology systems and platforms, including our BTG Pactual Digital platform, by ill-intentioned third parties, infiltration of malware (such as computer viruses) into our systems, contamination (whether intentional or accidental) of our networks and systems by third parties with whom we exchange data, unauthorized access to confidential client and/or proprietary data by persons inside or outside of our organization, and cyber-attacks causing systems degradation or service unavailability that may result in business losses.

We may not be able to successfully protect our information technology systems and platforms against such threats. We have seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. We have been and continue to be subject to a range of cyberattacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of client data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of our information technology systems used to service our clients. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in

our attempt to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our clients.

In light of the roll-out of our BTG Pactual Digital platform, if we fail to effectively manage our cyber security risk, for example, by failing to update our systems and processes in response to new threats, this could harm our reputation and adversely affect our operating results, financial condition and prospects through the payment of client compensation, regulatory penalties and fines and/or through the loss of assets. In addition, we may also be subject to cyber-attacks against critical infrastructures of Brazil. Our information technology systems are dependent on such critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect our ability to service our clients. We have limited ability to protect our information technology systems from the adverse effects of such a cyber-attack.

Failure to protect personal information could adversely affect us.

We manage and hold confidential personal information of clients in the ordinary course of our business. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures or security breaches could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our operating results, financial condition and prospects. Further, our business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. In addition, we may be required to report events related to information security issues (including any cyber security issues), events where client information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of our systems could cause information, including data related to client requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products and could materially and adversely affect us.

Misconduct by our personnel could harm us and may not be timely detected and deterred, and we may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.

There have been a number of highly publicized cases involving fraud or other misconduct by individuals involved in the financial services industry in recent years, particularly in Brazil, and we run the risk that such misconduct could occur and harm our business. Misconduct by individuals working for us could occur in the future. For example, these risks could include binding us to transactions that exceed authorized limits or present unacceptable risks, or hiding from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. These risks could also include unauthorized breaches of the existing regulatory, tax and administrative procedures and processes or of the additional procedures and processes which we will implement for the purpose of addressing the standards and requirements applicable to public companies. Such misconduct could also involve the improper use or disclosure of confidential information, which could result in sanctions and serious reputational or financial harm. Any breach of our clients' confidences as a result of such misconduct may impair our ability to attract and retain clients. It is not always possible to deter such misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases.

We are also required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, requiring improved systems, demanding sophisticated monitoring and compliance personnel and becoming the subject of enhanced regulatory supervision. In addition, laws such as the U.S. Foreign Corrupt Practices Act and the recently enacted Brazilian Anti-Corruption Law require us, among other things, to institute policies and procedures aimed at preventing any unlawful offer or promise, or gift of anything of value, to government officials in order to secure a business advantage, and require us to maintain accurate books and records and a system of internal controls to ensure accuracy of our books and records and prevent illegal activity.

Our policies and procedures aimed at detecting and preventing the use of our banking network for money laundering, terrorist financing and related activities, as well as our policies and procedures aimed at preventing bribery and other corrupt practices by our employees and agents may not completely eliminate instances where our banking network may be used by other parties to engage in money laundering and other illegal or improper activities, or may not prevent our employees and agents from engaging in corrupt dealings. Although we review our significant counterparties' internal policies and procedures with respect to internal procedures before engaging in business with them, we, to a large degree, rely upon these counterparties. Such procedures and controls may not be completely effective in preventing our counterparts from using the relationships established with us for the act of corruption. If we are associated with, or even accused of being associated with, or become a party to corruption practices, then our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on our operating results, financial condition and prospects. To the extent we fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, including the revocation of licenses. In addition, our business and reputation could suffer if customers use our banking network for money laundering, terrorist financing or other illegal or improper purposes.

If we are associated with or become a party to, or even accused of being associated with or being a party to money laundering, terrorist financing or other illegal practices, or if we were to appear as defendants or are investigated in corruption-related investigations, then our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement, any one of which could have a material adverse effect on our operating results, financial condition and prospects.

Legal restrictions on our clients may reduce the demand for our services.

New laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may also adversely affect us. For example, changes in antitrust enforcement could affect the level of mergers and acquisitions activity and changes in regulation could restrict the activities of our clients and, therefore, the services we provide to them.

Our inability to successfully implement our strategy relating to, or to realize the intended benefits from, our historical acquisition of a co-controlling interest in Banco Pan could have a material adverse effect on us.

There continue to be significant risks associated with our acquisition of a co-controlling interest in Banco Pan, which was consummated on May 27, 2011.

Prior to the announcement of the transaction, Banco Pan disclosed a series of accounting inconsistencies which resulted in losses of approximately R\$4.3 billion. We record the results of operations from Banco Pan using the equity method of accounting, pursuant to which our share of Banco Pan's net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity in the earnings of associates and jointly controlled entities. We have historically recorded significant losses in connection with the Banco Pan equity pick-up, with recorded losses of R\$80.5 million in 2014, a small profit of R\$5.0 million in 2015, losses of R\$95.7 million in 2016 and profits of R\$63.1 million in the nine months ended September 30, 2017. There can be no assurance that Banco Pan will not generate net losses during 2017 or thereafter or that Banco Pan's results of operations will not continue to adversely affect our results of operations relating to our commercial banking activities.

Furthermore, as co-controlling shareholder of Banco Pan, we may be required under Brazilian law to make additional capital contributions if certain circumstances arise in which Banco Pan is considered by the Central Bank to be undercapitalized. For more information on Brazilian banking regulations, see "Regulatory Overview—The Brazilian Financial System and Banking Regulation." We have made several significant capital injections in Banco Pan since its acquisition in 2011. It is possible that the initiatives to improve Banco Pan's results may not meet the expected results and that new capital injections at Banco Pan will be required. Any of these factors could have an adverse effect on us.

We co-control Banco Pan, Pan Seguros and Pan Corretora with CaixaPar, which may have interests that differ from ours.

We have entered into a shareholders' agreement with Caixa Participações S.A. - CAIXAPAR ("CaixaPar") relating to our co-controlling interest in Banco Pan. Pursuant to the shareholders' agreement, various decisions which impact the business of Banco Pan require the agreement of CaixaPar. CaixaPar may have economic interests that differ from ours and may wish to act in a manner which is contrary to our strategy or objectives. If we are unable to obtain the agreement of CaixaPar with respect to decisions that we consider to be necessary, we may be unable to cause Banco Pan to implement business strategies that we believe to be in its best interests.

Following the separation of the publically traded IPO units offered in our initial public offering, our business is more vulnerable to actual or potential conflicts of interest, real or perceived.

In February 2017, we and PPLA Participations permitted the breaking of our publically traded IPO units, which consisted of our and PPLA Participations's voting and non-voting securities, and simultaneously created two new units programs in order to permit the separate trading of our and PPLA Participations's securities. As of August 18, 2017, trading of the IPO units was suspended, and our securities and PPLA Participations' securities no longer trade together on a combined basis. As a result of this change, former IPO unit holders, including the partnership vehicles currently controlling both PPLA and us, were able to change their proportional equity interests in PPLA Participations or us. Accordingly, this could create, or appear to create, potential conflicts of interest when our management and directors and PPLA Participations's management and directors face decisions that could have different implications for each of us and PPLA Participations. In addition, key managers or employees that have managed both PPLA Participation and us on a combined basis may not be suited or effective at managing them on a standalone basis. In addition, we and PPLA Participations can no longer allocate resources among ourselves to the same extent as in the past, which may adversely affect our operations.

We and our affiliates routinely engage in transactions with related parties that may present conflicts of interest and such transactions may not create value for us and our shareholders to the same extent as they may for our affiliates.

We are part of the BTG Pactual Group and we routinely enter into transactions with other entities in the BTG Pactual Group in the ordinary course of our business, including financing facilities and commercial and services agreements. For more information, see "Related Party Transactions." For example, in the ordinary course of its business, PPLAI maintains bank accounts with, and has invested in certain financial products offered by us and certain of our subsidiaries, including medium-term notes (acquired in the secondary market), demand deposits and time deposits. In addition, PPLAI has entered into several financial derivative contracts with us. We are likely to continue to engage in transactions with related parties and, in light of this strategy, we cannot guarantee that such transactions will generate value for us and our shareholders to the extent that they will for our affiliates.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence, as well as Brazilian political and economic conditions, could adversely affect us.

The Brazilian economy has been characterized by the significant involvement of the Brazilian government, which often changes monetary, credit, fiscal and other policies and regulations to influence Brazil's economy. The Brazilian government's actions to control inflation and effect other policies have involved depreciation of the *real*, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates, among other measures. We have no control over and cannot predict what measures or policies the Brazilian government may take in the future. We may be adversely affected by changes in Brazilian government policies, laws or regulations at the federal, state and municipal levels as well as general economic factors, including, without limitation:

- banking regulations;
- growth or downturn of the Brazilian economy;
- the regulatory environment;

- inflation;
- interest rates;
- variations in exchange rates;
- reserve requirements;
- capital requirements;
- decreases in wages and economic levels;
- increases in unemployment;
- exchange rate control policies and restrictions on remittances abroad;
- fiscal policy and changes in the tax law;
- liquidity of the domestic financial, capital and lending markets; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

We cannot predict what future policies will be adopted by current or future Brazilian governments, or whether these policies will result in adverse consequences to the Brazilian economy or cause an adverse effect on us.

Brazil continues to experience political instability, which may adversely affect us. Brazil is currently recovering from a recession, and continued weaknesses in the Brazilian macroeconomic environment could adversely affect us.

Brazil is currently recovering from a recession, and material weaknesses and imbalances continue to threaten macroeconomic stability and the future prospects of the Brazilian economy. The persistence or intensification of the economic crisis in Brazil and the uncertainty over whether the Brazilian government will implement changes in policy or regulation in order to address the current economic challenges could adversely affect us.

Uncertainty regarding whether the Brazilian government will implement changes in policy or regulation may be compounded by political instability. Historically, Brazilian politics have affected the performance of the Brazilian economy. Political crises have affected and continue to affect the confidence of investors and the general public, and have historically resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Since 2014, Brazil has experienced amplified economic and political instability derived from various currently ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Brazilian Federal Prosecutor, including the largest such investigation, known as *Lava Jato*, which have negatively impacted the Brazilian economy and political environment and contributed to a decline in market confidence in Brazil.

As a result of these investigations, a number of senior politicians, including members of Congress, and high-ranking executive officers of major corporations and state-owned companies in Brazil, have been arrested (including our former CEO and chairman of our board), convicted of various charges relating to corruption, entered into plea agreements with federal prosecutors and/or have resigned or been removed from their positions. The individuals involved in the *Lava Jato* investigations are alleged to have accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties, which funds were unaccounted for or not publicly disclosed. These funds were also allegedly destined toward the personal enrichment of certain individuals.

Amidst this background of political and economic uncertainty, then-President Dilma Rousseff was suspended from office on May 12, 2016, when the Brazilian Senate voted to hold a trial on impeachment charges against her, for infringing budgetary laws. President Rousseff was replaced by then-Vice-President Michel Temer, who served as acting President until Ms. Rousseff was permanently removed from office by the Senate on August 31, 2016. President Temer's term of office is set to end in December 2018.

In May 2017, several motions for impeachment proceedings against President Temer were filed in Congress by opposition parties following the surfacing of allegations that Mr. Temer had appeared to endorse the bribing of a jailed politician. On June 26, 2017, Brazil's chief prosecutor initiated criminal indictment proceedings against President Temer, which were then referred to Congress for an indictment decision. On August 2, 2017, Congress decided by a majority vote against criminally indicting President Temer on these charges, and the charges were dismissed for the remainder of his term in office. On an unrelated proceeding, on June 9, 2017, the Brazilian Supreme Court decided that there was insufficient evidence to rule against President Temer and former President Rousseff on charges relating to illegal campaign financing during President Temer and former President Rousseff's 2014 election campaign. In September 2017, Brazil's chief prosecutor initiated new criminal indictment proceedings against President Temer, which was, as in the previous proceeding, then referred to Congress for an indictment decision. On September 25, 2017, Congress decided by a majority vote against criminally indicting President Temer on these charges, and the charges were dismissed for the remainder of his term in office. It is possible, however, that Brazil's chief prosecutor may bring additional charges against President Temer in the future, and if any of these charges are decided against President Temer, they could ultimately result in his removal from office.

The potential outcome of *Lava Jato* as well as other ongoing corruption-related investigations is uncertain, but they have already had an adverse impact on the image and reputation of those companies that have been implicated as well as on the general market perception of the Brazilian economy, political environment and the Brazilian capital markets. We have no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future or will adversely affect us.

Uncertainty regarding elections in Brazil to occur in 2018 may also have an adverse effect on the confidence of investors and the general public, particularly as former president of Brazil Luiz Inacio Lula da Silva appears in recent polls as a top contender to win next year's presidential election, was convicted on corruption charges and sentenced to nearly 10 years in prison. Mr. Silva is currently appealing such charges, and his ability to run for office and assume the position of president is not restricted while such appeal is pending.

Any of the above factors may create additional political uncertainty, which could have a material impact on the Brazilian economy, our business, financial condition, results of operations and the market price of the Notes.

Exchange rate instability may adversely affect us.

The Brazilian currency has been devalued frequently over the past three decades. Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and during this period, the *real*/U.S. dollar exchange rate has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Throughout this period, the Brazilian government has implemented various economic plans and used various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Although long-term depreciation of the *real* is generally linked to the rate of inflation in Brazil, depreciation of the *real* occurring over shorter periods of time has resulted in significant variations in the exchange rate between the *real*, the U.S. dollar and other currencies.

In the first quarter of 2014, the *real* appreciated by 3.5% against the U.S. dollar. However, from March to December 2014, the *real* depreciated approximately 14.8% against the U.S. dollar, mainly due to the rippling effects of the Petrobras corruptions scandals, high inflation and uncertainty in connection with Brazil's presidential elections. As of December 31, 2014, the *real*/U.S. dollar exchange rate reported by the Central Bank was R\$2.66 per US\$1.00. During 2015, due to the poor economic conditions in Brazil and rampant political instability, the *real* devalued at a much higher rate than in previous years. On September 24, 2015, the *real* fell to the lowest level since the introduction of the currency, at R\$4.195 per U.S. \$1.00. Overall in 2015, the *real* depreciated 32.0%, reaching R\$3.905 per U.S. \$1.00 on December 31, 2015. In 2016, the *real* continued to fluctuate, primarily as a result of

Brazil's political instability, and ultimately appreciated 19.8% year-over-year against the U.S. dollar as of December 31, 2016 to R\$3.26 per U.S. \$1.00. As of September 30, 2017, the *real*/U.S. dollar selling exchange rate was R\$3.1680 per U.S. \$1.00, reflecting a 2.9% appreciation against the U.S. dollar as compared to December 31, 2016.

Depreciation of the *real* relative to the U.S. dollar has created additional inflationary pressures in Brazil, which have led to increases in interest rates, limited Brazilian companies' access to foreign financial markets and prompted the adoption of recessionary policies by the Brazilian government. Depreciation of the *real* may also, in the context of an economic slowdown, lead to decreased consumer spending, deflationary pressures and reduced growth of the Brazilian economy as a whole. Conversely, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange currency accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy.

We cannot assure you that the *real* will not continue to appreciate or depreciate substantially against the U.S. dollar in the future. Our costs are principally denominated in *reais*. However, because a substantial portion of our revenues is denominated in U.S. dollars, whereas our reporting currency is the *real*, we may be adversely affected due to fluctuations in the value of the *real* against the U.S. dollar. For example, changes in the relative value of the *real* and the U.S. dollar will result in realized and unrealized foreign exchange gains and losses to the extent that we have assets and liabilities denominated in U.S. dollars or these other currencies. Further, the depreciation of the *real* against the U.S. dollar may create additional inflationary pressures in Brazil, which may negatively affect the Brazilian economy as a whole and cause an adverse effect on us.

Inflation, and the Brazilian government's measures to curb inflation, may contribute to economic uncertainty in Brazil, adversely affecting us.

Brazil has historically experienced extremely high rates of inflation and has therefore implemented monetary policies that have resulted in one of the highest interest rates in the world.

In 2014, the inflation rate in Brazil, as measured by the IGP-M, a general price inflation index, reached 3.69% year-over-year, primarily due to inflationary pressures on consumer prices (6.76%), mainly in education, reading and recreation (9.84%), food (8.06%), health and personal care (7.11%) and construction costs (6.74%), which was pressured by materials, equipment and services (5.44%) and labor (7.93%). In 2015 and 2016, Brazil experienced high levels of inflation of 10.54% (IGP-M) and 7.17% (IGP-M), mainly due to unfavorable macroeconomic conditions. However, according to the IGP-M index, Brazil registered a 2.0% deflation in the first half of 2017. Despite the current scenario, Brazil may experience high levels of inflation in the future.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. The Central Bank has frequently adjusted the interest rate in situations of economic uncertainty and to achieve objectives under the economic policy of the Brazilian government.

If Brazil experiences substantial inflation or deflation in the future, we and our ability to comply with our obligations may be adversely affected. Such pressures may also affect our ability to access foreign financial markets and may lead to policies that may adversely affect the Brazilian economy and us. In addition, we may not be able to adjust the prices we charge our clients to offset the impact of inflation on our expenses, leading to an increase in our expenses and a reduction in our net operating margin.

Exposure to Brazilian federal government debt could have a material adverse effect on us.

We invest in Brazilian government sovereign bonds. As of September 30, 2017, approximately 7.4% of our total assets, and 35.6% of our securities portfolio, was comprised of debt securities issued by the Brazilian government. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on us.

Our clients' and counterparties' ability to make timely payments may be restricted by liquidity constraints in Brazil.

The Brazilian economy has been subject to a number of developments or conditions that have significantly affected the availability of credit. Starting in 2008, the economic crisis that affected developed markets in the United States and Europe (particularly in Greece, Spain, Italy and Portugal) markedly reduced investor confidence globally. Since then, economic indicators in developed markets have gradually been improving. Such recovery, however, has been offset by various factors, including uncertainty emanating from the election of Mr. Donald Trump as president of the U.S. and the “Brexit” victory in the United Kingdom.

In the case of Brazil, it has lost its investment grade sovereign debt credit rating by the three main U.S. based credit rating agencies, Standard & Poor's, Moody's and Fitch. Standard & Poor's downgraded Brazil's sovereign debt credit rating from BBB-minus to BB-plus in September 2015, subsequently reducing it to BB in February 2016, and maintained its negative outlook on the rating, citing Brazil's fiscal difficulties and economic contraction as signs of a worsening credit situation. In December 2015, Moody's placed Brazil's Baa3 sovereign debt credit rating on review and downgraded Brazil's sovereign credit rating in February 2016 to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil's indebtedness figures amid a recession and challenging political environment. Fitch downgraded Brazil's sovereign credit rating to BB-plus with a negative outlook in December 2015, citing the country's rapidly expanding budget deficit and worse-than-expected recession, and further downgraded Brazil's sovereign debt credit rating in May 2016 to BB with a negative outlook.

These ongoing events could negatively affect our ability and the ability of other Brazilian banks to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. In addition, to control inflation in general, the Brazilian government has maintained a tight monetary policy, with associated high interest rates, and has constrained the growth of credit. The combination of these developments has made it difficult at times for certain companies and financial institutions in Brazil to obtain cash and other liquid assets and has resulted in the failure of a number of weaker financial institutions in Brazil. In addition, concerns as to the stability of some financial institutions have caused significant transfers of deposits from smaller banks to larger banks since the beginning of 1995. No assurance can be given that developments in the Brazilian economy will not adversely affect the ability of certain of our counterparties or direct and indirect clients to make timely payments on their obligations to us or otherwise adversely affect us.

Developments and the perception of risk in other countries, such as the recent developments in the global financial markets, and particularly in emerging market countries, may adversely affect the market price of Brazilian securities, including the Notes.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States, European countries other Latin American and emerging market countries. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazilian economy and resulted in considerable outflows of funds from Brazil and decreased the amount of foreign investments in Brazil. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may have an adverse effect on the market value of securities of Brazilian issuers, including the Notes. Such risks may also affect our access to the capital markets and compromise our ability to finance our operations through capital market issuances on favorable terms, or at all.

Risk Relating to the Regulatory Environment

Legal and regulatory risks are inherent and substantial in our businesses.

Substantial legal liability or a significant regulatory action against us could cause significant harm to our reputation or otherwise adversely affect us, which in turn could seriously harm our business prospects. We face significant legal risks in our businesses and the volume and amount of damages claimed in litigation against financial intermediaries are increasing. These risks include potential liability under securities and related laws for materially false or misleading statements made in connection with securities and other transactions, potential

liability for the “fairness opinions” and other advice we provide to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. We also face the possibility that counterparties in complex or risky trading transactions will claim that we failed to disclose the risks or that they were not authorized or permitted to enter into these transactions with us and that their obligations to us are not enforceable. We are increasingly exposed to claims for recommending investments that can be considered inconsistent with a client’s investment objectives or engaging in unauthorized or excessive trading. During a prolonged market downturn, we would expect these types of claims to increase. See “Management Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Legal and Regulatory Risk.”

We face risk of loss from legal and regulatory proceedings, mainly tax proceedings and proceedings before the Central Bank and the CVM. Such proceedings could subject us to monetary judgments, fines, penalties and reputational losses.

We are from time to time subject to certain claims and party to certain legal and regulatory proceedings incidental to the normal course of our business, including in connection with conflicts of interest, lending activities, trading strategies, relationships with our employees, economic plans and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal and regulatory matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, we cannot state what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of our reserves in respect of these matters is substantially less than the total amount of the claims asserted against us, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period. For a discussion of other legal proceedings in which we are involved, see “Business—Legal Matters.”

We are subject to review by taxing authorities, and an incorrect interpretation by us of tax laws and regulations may have a material adverse effect on us.

The preparation of our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. We are subject to the income tax laws of Brazil. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, leading to disputes which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on us. In some jurisdictions, the interpretations of the taxing authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense.

Changes in taxes and other fiscal assessments may adversely affect us.

The Brazilian government regularly enacts reforms to the tax and other assessment regimes to which we and our clients are subject. Such reforms include changes in the rate of applicable taxes and, occasionally, enactment of temporary levies, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

Changes in tax policy, including the creation of new taxes, may occur with relative frequency and such changes could have an adverse effect on our financial position or operating results. Also, the Brazilian Congress may discuss broad tax reforms in Brazil to improve the efficiency of allocation of the economic resources, as proposed by the executive branch of the Brazilian federal government. Major tax reforms in Brazil have been discussed over the last few years. It is anticipated that the reforms, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value added tax on goods and services that would replace several taxes currently in force (including the social contribution tax, the federal tax on industrial products

and state taxes on the circulation of goods and services). In addition, we cannot predict if tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

Extensive regulation of our businesses may limit our activities and negatively affect us.

The financial services industry is subject to extensive regulation, both in Brazil and elsewhere and, in many jurisdictions, increasing scrutiny from tax authorities and tax policy makers. See “Management Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.” We are subject to regulation by governmental and self-regulatory organizations, including the Central Bank, the CVM, and stock exchanges, in all jurisdictions in which we operate. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect clients and other third parties. Consequently, these regulations often (i) limit our business activities, including through net capital requirements, client protection, market conduct requirements and trading strategies, (ii) increase compliance costs and, (iii) to the extent the regulations strictly control the activities of financial services firms, make it more difficult for us to distinguish ourselves from competitors. We face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations and judicial or administrative proceedings that may result in substantial penalties. Among other things, we could be fined or prohibited from engaging in some of our business activities. In addition, recent market disruptions have led to numerous proposals for significant additional regulation of the financial services industry. These regulations could further limit our business activities, increase compliance costs and, to the extent the regulations strictly control the activities of financial services firms, make it more difficult for us to distinguish ourselves from competitors.

Specifically, the Brazilian financial markets are subject to extensive and continuous regulatory review by the Brazilian government, principally by the Central Bank the CVM, and self-regulatory organizations. The Luxembourg Branch is a licensed credit institution and as such is also subject to laws and regulations and ongoing regulatory review by the Luxembourg authorities. We have no control over these laws and regulations, which govern all aspects of our operations, including regulations that impose:

- minimum capital requirements;
- internal procedures to assess capital adequacy;
- compulsory deposit and/or reserve requirements;
- requirements for investments in fixed rate assets;
- lending limits and other credit restrictions, including compulsory allocations;
- limits and other restrictions on invoiced fees or other matters;
- money laundering, privacy, record keeping, and ethical issues;
- limits on the amount of interest banks can charge or the period for capitalizing interest;
- accounting and statistical requirements;
- requirements for and restrictions on trading transactions;
- risk exposure limits;
- price and salary controls;
- tax policy and regulation; and
- other requirements or limitations imposed in the context of the global financial crisis.

The Central Bank also must approve certain acts by Brazilian financial institutions.

In addition, some of our subsidiaries are also subject to regulation under U.S. federal and state law, United Kingdom laws and Luxembourg laws, which impose, among other things, minimal standards for different areas of operation, including operational, market, counterparty and other risk assessment, regulatory capital requirements, conduct of business requirements and internal systems and controls with regard to market abuse and insider dealing, among others.

Our Chilean, Colombian, Peruvian and Mexican operations are subject to regulatory capital requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually.

Failure to comply with these standards could result in the application of fines or other sanctions, including the suspension or revocation of the licenses of these subsidiaries or their liquidation.

Changes in the regulation of operations of Brazilian banks and their foreign branches (including the Luxembourg Branch) may adversely affect us.

Brazilian banks and their foreign branches (including the Luxembourg Branch) are subject to extensive and continuous regulatory review by Brazilian and other relevant governments and regulators. Banking regulation is regularly enacted by the relevant government and regulator as a means of controlling credit availability and reducing or increasing consumption. Certain of these controls are temporary in nature and may vary from time to time in accordance with the relevant government's or regulator's credit policies. We have no control over any such regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory reserve requirements;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian banks and their branches abroad has frequently evolved. Existing laws and regulations could be amended; the manner in which laws and regulations are enforced or interpreted could change; and new laws or regulations could be adopted. Such changes could adversely affect us.

Changes in regulations regarding capital reserve and compulsory deposit requirements may adversely affect us.

Compulsory deposits are resources that financial institutions in Brazil are required to maintain with the Central Bank in relation to demand deposits, savings deposits and time deposits. The Central Bank has periodically changed the amount of reserves that financial institutions in Brazil are required to maintain. For example, as from September 2008, the Central Bank revoked and changed a number of compulsory deposit requirements in an attempt to reduce the impact of the global financial markets crisis, and, in the past year, the Central Bank increased and restated the compulsory deposit requirements. The Central Bank may increase its reserve and compulsory deposit requirements in the future or impose new reserve and compulsory deposit requirements.

We may be adversely affected by changes to compulsory deposit requirements because funds held as compulsory deposits generally do not yield the same return as our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- we are obliged to hold some of our compulsory deposits in Brazilian government securities, which may yield lower interest rates; and
- we must use a portion of the deposits to finance federal housing program, microcredit transactions and the rural sector.

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, but they are now seen as an instrument by which the Central Bank pursues stability in the financial system and we have no control over their policy. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect our business.

Minimum capital adequacy requirements imposed on us following the implementation of the Basel III Accord may negatively impact our results of operations and financial condition.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the “Basel III Accord,” which was endorsed at the Seoul G20 Leaders summit in November 2010. The “Basel III Accord” recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth. The Basel Committee’s package of reforms will increase the minimum capital requirements and may require banks to hold a capital conservation buffer and a countercyclical buffer to withstand periods of stress and to control systemic risk.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, determined, among others, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the reference shareholders’ equity (*Patrimônio de Referência*) (“PR”). See “Regulatory Overview—Capital Adequacy and Leverage.”

Among the changes introduced by this new set of rules, it is important to highlight: (i) the introduction of the concept of quasi-financial institutions (*instituições assemelhadas*); (ii) the necessity of consolidation of financial statements of such *quasi*-financial institutions; (iii) the issuance of new rules for the calculation of the components of the PR, (including Common Equity Tier 1 Capital (*Capital Principal*) and Additional Tier 1 Capital (*Capital Complementar*), both of which comprising the so-called Tier 1 Capital). These changes are to be implemented from October 1, 2013 to January 1, 2022.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2019 and may require us to increase our capital basis, which could negatively impact our results and may make it more difficult for us to maintain the ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, we may be unable to meet the minimum capital adequacy requirements required by the Central Bank. We may also be compelled to limit our credit operations, dispose our assets and/or take other measures that may adversely affect us.

During the financial crisis in Europe, many governments and organizations have proposed and, in certain cases, adopted significant changes in banking regulations. A number of them, such as Basel III and the Capital Requirement Regulation (“CRR”) are ongoing and will result in higher capital requirements in the future.

Within the EU, the new requirements have been implemented on the basis of a set of amendments to the Capital Requirements Directive (“CRD IV”) and corresponding regulations. We expect future capital requirements for credit institutions to become significantly more stringent in terms of both quality and quantity.

In January 2013, the Basel Committee amended plans for liquidity ratio requirements, extending the deadline to meet liquidity coverage ratios from 2015 to 2018 and broadening the scope of assets eligible that count toward the liquidity buffer.

Beginning in October 2013, the regulatory capital started to be calculated pursuant to the Basel III Accord. Additionally, pursuant to CMN Resolution No. 4,193, of March 1, 2013, the Central Bank, beginning on January 1, 2016, was allowed to require financial institutions to present an additional rate of Common Equity Tier 1 Capital (*Capital Principal*) over their RWA. Such increase in the limits of Common Equity Tier 1 Capital (*Capital Principal*) is denominated Additional Core Capital (*Adicional de Capital Principal*) and, according to Central Bank Circular No. 3,741, of December 29, 2015, will be imposed upon the following schedule: (i) 0.625% of RWA, in 2016; (ii) 1.25% of RWA, in 2017; (iii) 1.875% of RWA, in 2018; (iv) 2.5% of RWA, from 2019 on. Non-compliance with Additional Core Capital limits restricts: (i) the payment of variable remuneration to officers and

administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder's equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease.

The Basel III Accord regulatory capital requirements has been gradually increased by the Central Bank until 2019 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and adversely affect its ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be compelled to limit its credit operations, dispose its assets and/or take other measures that may adversely affect.

The Luxembourg Branch is, together with the competent regulators, currently assessing the extent to which it will be subject to a number of prudential requirements that apply in Luxembourg. The implementation of regulatory changes is likely to further increase the costs of compliance for the Luxembourg Branch and other credit institutions, which may affect its operations, including the issuance of and obligations under any Notes issued through the Luxembourg Branch. Depending on the scope and type of such regulatory changes, they could lead to reduced levels of activity for financial institutions, which could significantly impact the business, financial condition and results of operations.

If we were deemed an “investment company” required to register as such under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of registered investment companies (or companies that should be but are not so registered). Among other things, the Investment Company Act and the rules thereunder applicable to such companies limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. Operation of a complex financial services business within those rules is impracticable. We therefore intend to conduct our operations so that we will not be an investment company required to register as such under the Investment Company Act.

We hold ourselves out as a diversified financial services firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities, a key element in the definition of an investment company under the Investment Company Act. However, there is a risk that some of our equity investment activities, especially if viewed in isolation from our other activities and our related companies, potentially could be considered those of an investment company subject to regulation under the Investment Company Act. As a result, we have elected to take steps to ensure compliance under such laws by limiting the persons and entities that may acquire units. The Notes will be offered pursuant to an exclusion from the definition of investment company as the Notes will be offered and sold in the United States only to prospective investors that are “qualified purchasers” within the meaning given to such term in the Investment Company Act, and outside the United States only in accordance with Rule 903 under the Securities Act. See “Transfer Restrictions.”

The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business.

Since it was enacted in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) has resulted in rulemakings that have instituted a wide range of reforms impacting the U.S. financial markets and covering a broad range of market participants, including broker-dealers and investment advisers. In particular, the Dodd-Frank Act affects our investment adviser in the U.S. because it mandates additional new reporting requirements, including information with respect to positions, use of leverage and counterparty and credit risk exposure. The Dodd-Frank Act also creates the Financial Stability Oversight Council (the “Council”), which is charged with monitoring and mitigating systemic risk in the financial industry. As part of this responsibility, the Council has the authority to subject certain financial firms to additional regulations, which could limit the amount of risk-taking engaged in by certain financial firms. While no asset managers have been subjected to these additional

regulations, in December of 2014, the Council released a notice seeking public comment on the risks to the U.S. financial system posed by certain aspects of the asset management industry. If we were ever subjected to these additional regulations, it could result in increased regulation of our business, including higher standards on capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and annual stress tests by the Federal Reserve.

In addition, the Dodd-Frank Act gives the SEC discretion to adopt rules regarding the standards of conduct that a broker-dealer employs when providing investment advice to retail customers.

Failure to comply with, or changes to, net capital requirements could adversely affect our business.

In January of 2011, the SEC released its mandated study on the effectiveness of current legal and regulatory standards for broker-dealers and investment advisers, which may result in the imposition of fiduciary duties on broker-dealers when dealing with their retail customers. In June 2017, the SEC put out a request for public comment on fiduciary duty but did not set any deadline for the submission of such comments. In October 2017, the SEC Chair, Jay Clayton, said the SEC is working on a fiduciary rule proposal. It is not certain what the scope of future rulemaking and interpretative guidance from the SEC, the Financial Industry Regulatory Authority (“FINRA”) and other regulatory agencies may be and what impact that will have on our compliance costs, business, operations, and profitability. The SEC, FINRA and various other regulatory agencies have stringent rules with respect to the maintenance of specific levels of net capital by SEC-registered broker-dealers. Our U.S. broker-dealer is required to comply with these net capital requirements and if it fails to maintain the required net capital, the SEC could suspend or revoke its registration or FINRA could expel it from membership, which could ultimately lead to its liquidation, or they could impose censures, fines and other sanctions. If the net capital rules are changed or expanded, or if there is an unusually large charge against net capital, then our operations that require capital could be limited. A large operating loss or charge against net capital could have a material adverse effect on our ability to maintain or expand our broker-dealer business in the U.S.

Limits on bank loan interest rates could have a negative effect on our business, financial condition and results of operations.

The Brazilian Federal Constitution historically imposed a 12.0% cap on the interest rates of loans from financial institutions. In 2003, however, such limit was eliminated by the enactment of Constitutional Amendment No. 40, as this amendment allows the Brazilian financial system to be regulated by specific laws. The Brazilian Civil Code and Decree No. 22,626, dated April 7, 1933 (known as the Usury Law), however, continue to provide limitations on interest rates. Law No. 4,595, dated December 31, 1964, which regulates the national financial system, together with several court decisions, has exempted financial institutions from the limits mentioned above. However, changes in Brazilian courts’ interpretations, or any new legislation or regulation imposing a ceiling or limiting bank loan interest rates, could have a negative effect on us. In addition, the Brazilian government has recently been pressuring financial institutions to lower the applicable tax rates, which could also have a negative effect on us.

Risks Relating to the Notes

We and the Arranger and Dealer are affiliated companies that are part of the BTG Pactual Group, and once the Arranger and Dealer participates in the bookbuilding process, distortions may occur in the setting of the material terms of the Notes.

BTG Pactual US Capital, LLC, the Arranger and Dealer for the Programme, is our wholly-owned subsidiary and will participate in the setting of the issue price, interest rate and other material terms of the Notes, together with other managers. This participation in the bookbuilding process may cause distortions in such terms of the Notes or reduce the liquidity of the Notes in the secondary market.

The Controlling Partners may have interests that differ from your interests as a Noteholder.

As of September 30, 2017, our Controlling Partners, through G7 Holding and BTG Pactual Holding, controlled our common shares which, subject only to certain limited exceptions (see “Our Partnership—Shareholders Agreements—Partners Brazil Shareholders Agreement” and “Principal Shareholders”), will allow our

Controlling Partners to control our management, direction and policies, including the outcome of any matter submitted to a vote of shareholders. As a result, subject to certain exceptions, our Controlling Partners will be able to (i) elect and control the decisions of the majority of our board of directors, (ii) control our management and policies, and (iii) determine without the consent of Noteholders the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, amalgamations, consolidations and the sale of all or substantially all of our assets. As the controlling shareholders of Banco BTG Pactual, our Controlling Partners will also be able to prevent or cause a change in control of Banco BTG Pactual. The interests of our Controlling Partners may not coincide with yours as a holder of Notes. For example, our Controlling Partners may have an interest in undertaking expansions, acquisitions, divestitures, financings and other actions that, in their judgment, could enhance their equity investments, even though those actions might involve risks to you as a holder of the Notes.

The rating of the Notes may be lowered or withdrawn depending on some factors, including the rating agency's assessment of our financial strength and Brazilian sovereign risk.

Any rating assigned to the Notes reflects the rating agency's assessment of our ability to make timely payment of interest on each payment date. Any rating assigned to the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure the investors that any rating assigned to the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the Notes will not be an event of default under the Trust Deed. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of our financial strength as well as its assessment of Brazilian sovereign risk generally and any change to these may affect the market price or liquidity of the Notes. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

Controls and restrictions on foreign currency remittances, or remittances to foreign investors generally, could impede our ability to make payments under the Notes.

The purchase and sale of foreign currency in Brazil is subject to governmental control. The Brazilian economy has experienced balance of payment deficits and shortages in foreign currency reserves to which the Brazilian government has responded by restricting the ability to convert Brazilian currency into foreign currency. Brazilian law provides that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. For example, in 1989 and early 1990, the Brazilian government restricted fund transfers that were owed to foreign equity investors and held by the Central Bank, in order to preserve Brazil's foreign currency reserves. These amounts were subsequently released. However, similar measures could be taken by the Brazilian government in the future.

Even though the Brazilian foreign exchange market has recently experienced a de-regulation process, the Brazilian government may in the future:

- restrict companies, including financial institutions, such as us, from paying amounts denominated in foreign currencies (such as payments under the Notes); or
- require that any of those payments be made in *reais*.

The likelihood of such restrictions may be determined by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy toward the International Monetary Fund, political constraints to which Brazil may be subject and other factors. To date, the Brazilian government has not imposed any restrictions on payments by Brazilian issuers in respect of debt securities issued in the international capital markets, but we cannot assure you that such restrictions will not be imposed by the Brazilian government.

There is currently no public trading market for the Notes and your ability to sell the Notes is limited.

The Notes are new debt securities, and there is no existing public market for them. Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market, which is not a regulated market within the meaning of the MIFID Directive. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or trade on the Euro MTF Market. We cannot assure you that an active trading market for the Notes will ever develop or be sustained. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected. We also cannot assure you as to the liquidity of any markets that may develop for the Notes, the ability of holders of the Notes to sell their Notes, or the price at which holders would be able to sell their Notes. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, our financial condition, the prospects for other companies in the banking industry, and the market for similar securities.

Holders of the Notes may face difficulties in serving process on or enforcing judgments against us and other relevant persons.

We are a corporation organized under the laws of Brazil. Most of our board members, executive officers and independent public accountants reside or are based in Brazil. Most of our assets and those of such other persons are located in Brazil. As a result, it may not be possible for you to effect service of process upon us or such other persons within the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil, if certain conditions are met, you may face greater difficulties in protecting your interests in the case of actions against us, our board of directors or executive officers than would holders of the Notes issued by a U.S. corporation.

Judgments of Brazilian courts enforcing our obligations under the Notes or the trust deed would be expressed in real-equivalent amounts.

If proceedings were brought in Brazil seeking to enforce our obligations under the Notes or the trust deed, any judgment obtained thereunder against us would be expressed in the amount in *reais* equivalent on the date of remittance from Brazil to the relevant non-Brazilian currency denominated amount due and unpaid under such Notes. Accordingly, absent the imposition hereafter of any law, regulation or directive otherwise restricting the exchange of *reais* into, or the remittance from Brazil of, the non-Brazilian currency in which the Notes are denominated dictated by economic, market or other disruptive circumstances, the amount of *reais* made available as a result of such judgment would be applied towards the exchange into, and the remittance from Brazil of, such amount of non-Brazilian currency due and unpaid under the Notes.

Our obligations under the Notes are subordinated to certain statutory liabilities.

Under Brazilian law, our obligations under the Notes and the trust deed are subordinated to certain statutory preferences. In the event of our extrajudicial liquidation or bankruptcy, such statutory preferences, such as claims for salaries, wages, secured payment obligations, social security and other taxes, court fees and expenses, will have preference over any other claims.

We may issue further debt or other instruments which may rank pari passu with the Notes.

There is no restriction on the amount of debt or instruments that we may issue which rank *pari passu* with the Notes. The issuance of any such instruments may reduce the amount recoverable by the holders of Notes upon

any bankruptcy or insolvency and would increase the likelihood that we may suspend the payment of interest on the Notes.

We may not be able to obtain necessary governmental authorizations. If we are unable to make payments on the Notes from the Cayman Islands Branch or Luxembourg Branch and must make payments from Brazil, we may experience delays in obtaining, or be unable to obtain, the necessary Central Bank approvals, if then applicable, which would delay or prevent us from making payments on the Notes.

The issue of Notes by us, acting through our principal office in Brazil, is subject to certain registrations with and requirements of the Central Bank, namely (i) the registration of the main financial terms under the relevant Electronic Declaratory Registry – Registry of Financial Transactions (*Registro Declaratório Eletrônico – Registro de Operações Financeiras*) (“ROF”), on the Sisbacen for the issuance of any series of Notes by us, which shall be obtained prior to any such issuance; (ii) the registration of the schedule of payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil; and (iii) the further authorization from the Central Bank required to enable us to remit payments abroad in foreign currency under any series of Notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF. We cannot assure you that any such registration with or approval of the Central Bank will be obtainable at a future date.

If we are unable to make payments on the Notes through our Cayman Islands Branch or Luxembourg Branch and must make payments from Brazil, we could experience delays in obtaining or be unable to obtain the necessary Central Bank approvals, which would delay or prevent us from making payments on the Notes.

Any issue of Notes by us through our Cayman Islands Branch or Luxembourg Branch is not subject to approval by or registration with the Central Bank. In the event payment under the Notes issued by our Cayman Islands Branch or Luxembourg Branch is made directly from Brazil (whether by reason of a lack of liquidity of our Cayman Islands Branch or Luxembourg Branch, acceleration, enforcement or judgment or imposition of any restriction under the laws of the Cayman Islands or Luxembourg), a specific Central Bank approval may be required. If we are unable to obtain the required approvals, if needed for the payment of amounts owed by our Cayman Islands Branch or Luxembourg Branch through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the Notes. However, we cannot assure you that other remittance mechanisms will be available in the future, and, even if they are available in the future, we cannot assure that payment on the Notes would be possible through such mechanism. If we are unable to make payments on the Notes through our Cayman Islands Branch or Luxembourg Branch and we are prevented from making the payments from Brazil, we would not be able to make payments on the Notes.

ERISA, the Code and Similar Law may restrict investments by plans in the Notes.

A plan fiduciary considering an investment in the Notes should consider, among other things, whether the fiduciary qualifies as an “independent fiduciary” for purposes of the Department of Labor regulations under Section 3(21) and whether such an investment is consistent with its fiduciary obligations under ERISA, the Code or any Similar Law, and whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any applicable Similar Law and, if so, whether an exemption from such prohibited transaction rules is available. See “Certain ERISA Considerations.”

The Foreign Account Tax Compliance Act (“FATCA”), may impose withholding on payments on the Notes.

FATCA generally imposes a reporting regime and potentially a 30% withholding tax with respect to certain payments made to any non-U.S. financial institution (a “foreign financial institution,” or “FFI” (as defined in the Code)) that (i) does not become a “Participating FFI” by entering into an agreement with the U.S. Treasury Department to provide certain information in respect of its account holders and (ii) is not otherwise exempt from or in deemed-compliance with FATCA. This withholding regime began being phased in beginning in July 2014.

The United States and Brazil have entered into an agreement to facilitate the implementation of FATCA (the “IGA”). Pursuant to FATCA and the IGA, an FFI in Brazil may be treated as a “Reporting Financial Institution” not subject to FATCA withholding on any payments it receives. We have registered to become a Reporting Brazil Financial Institution.

On March 28, 2014, the United States and Luxembourg concluded an Intergovernmental Agreement. A draft bill for a Luxembourg law to ratify this Intergovernmental Agreement was published on March 27, 2015. FATCA compliance may require the Issuer or an entity acting on behalf of the Issuer to identify and disclose its US Account holders. Non-compliance with FATCA may entail a 30% US withholding tax on US source income.

To the extent any payments on the Notes are considered foreign pass thru payments, such withholding may be imposed on such payments to any foreign financial institution (including an intermediary through which a holder may hold the Notes) that is not a Participating FFI or any other investor who does not provide information sufficient to establish that the investor is not subject to withholding under FATCA, unless such foreign financial institution or investor is otherwise exempt from FATCA. Under current guidance, the term “foreign pass-thru payment” is not defined and it is therefore not clear whether or to what extent payments on the Notes would be considered foreign passthru payments.

Withholding on foreign pass thru payments would not be required with respect to payments made before January 1, 2019 and would not apply to Notes issued before the six-month anniversary of the publication of final regulations defining the term “foreign pass thru payments.” The IGA states that the United States and Brazil are committed to develop a practical and effective alternative approach to achieve the policy objectives of foreign pass thru payment withholding that minimizes burden.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisors regarding the application of FATCA to us and to payments they may receive in connection with the Notes.

CAPITALIZATION

The table below presents our capitalization as of September 30, 2017. The information described below is derived from our consolidated financial statements as of September 30, 2017. Except as otherwise disclosed in this Offering Memorandum, there has been no material change to our capitalization since September 30, 2017.

You should read this table together with the sections “Presentation of Financial and Other Information,” “Summary Financial and Operating Information,” “Selected Financial and Operating Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our audited consolidated financial statements, and related notes thereto, included elsewhere in this Offering Memorandum.

	As of September 30,	
	2017	2017
	(in R\$ millions)	(in US\$ millions)(1)
	(Unaudited)	
Current liabilities		
Deposits	7,293	2,302
Open market funding	25,739	8,125
Funds from securities issued and accepted	2,684	847
Loans and onlending	1,270	401
Derivative financial instruments	11,106	3,506
Securities trading and brokerage	7,381	2,330
Subordinated debts	1,273	402
Other liabilities	9,700	3,062
Total current liabilities	66,447	20,974
Long-term liabilities		
Deposits	1,030	325
Open market funding	1,896	598
Funds from securities issued and accepted	5,281	1,667
Loans and onlending	2,835	895
Derivative financial instruments	2,191	692
Subordinated debts	5,448	1,720
Debt instrument eligible to equity	4,105	1,296
Other liabilities	5,586	1,763
Total long-term liabilities (2)	28,371	8,955
Deferred income	142	45
Non-controlling interest	140	44
Shareholders’ equity	18,609	5,874
Total liabilities and shareholders’ equity	113,710	35,893

(1) Translated for convenience only using the exchange rate as reported by the Central Bank on September 30, 2017 for *reais* into U.S. dollars of R\$3.168 to U.S.\$1.00.

(2) Does not reflect debt repurchased and cancelled as part of our cash tender offer for our outstanding 8.750% Perpetual Non-Cumulative Junior Subordinated Notes that was concluded on December 6, 2017 pursuant to which we successfully purchased the maximum tender amount of U.S.\$390.0 million of aggregate principal amount of notes.

USE OF PROCEEDS

The net proceeds of any issue of Notes under the Programme are to be used by us for general corporate purposes unless otherwise specified in the relevant Final Terms.

EXCHANGE RATES

The Brazilian foreign exchange system allows for the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and during this period, the *real*/U.S. dollar exchange rate has experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.5333 per U.S.\$1.00 at the end of 2002. Between 2003 and mid- 2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the Brazilian macroeconomic environment and a substantial increase in foreign investment in Brazil, with the *real* appreciating to R\$1.6344 per U.S.\$1.00 in August 2008. Particularly as a result of the crisis in the global financial markets from mid-2008, the *real* depreciated by 24.2% against the U.S. dollar during 2008 and closed the year at R\$2.3370 per U.S.\$1.00. As of December 31, 2013, 2014 and 2015, the exchange rate was R\$2.3426 per U.S.\$1.00, R\$2.6562 per U.S.\$1.00 and R\$3.9048 per U.S.\$1.00 (representing a cumulative devaluation of 32.0% in 2015), respectively. As of December 31, 2016 the exchange rate was R\$3.2591 per U.S.\$1.00. As of September 30, 2017, the exchange rate was R\$3.1680 per U.S. \$1.00, reflecting a 2.9% appreciation against the U.S. dollar as compared to December 31, 2016.

In the past, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluation, periodic mini devaluation during which the frequency of adjustments ranged from daily to monthly, floating exchange rates, exchange controls and dual exchange rate markets. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or intervene in the exchange rate market by returning to a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are substantial reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Relating to Brazil—Exchange rate instability may adversely affect us."

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R\$/U.S.\$) for the periods indicated, as reported by the Central Bank:

Year ended	Closing Selling Rates of R\$ per US\$1.00			
	Low	High	Average ⁽¹⁾	Period end
December 31, 2012	1.70	2.11	1.95	2.04
December 31, 2013	1.95	2.45	2.16	2.34
December 31, 2014	2.20	2.74	2.35	2.66
December 31, 2015	2.58	4.19	3.34	3.90
December 31, 2016	3.12	4.16	3.48	3.26

Month ended	Low	High	Average ⁽²⁾	Period end
May 2017	3.09	3.38	3.21	3.24
June 2017	3.23	3.34	3.30	3.31
July 2017	3.13	3.32	3.21	3.13
August 2017	3.12	3.20	3.15	3.15
September 2017	3.09	3.19	3.13	3.17
October 2017	3.13	3.28	3.19	3.28
November 2017	3.21	3.29	3.26	3.26
December 2017 (through December 5, 2017)	3.23	3.26	3.25	3.23

(1) Represents the average of exchange rates on each day of each respective month during the periods indicated.

(2) Represents the average of the daily exchange rates during each day of each month.

SELECTED FINANCIAL AND OPERATING INFORMATION

The tables below set forth certain of our selected financial information as of and for the periods indicated. You should read the information below in conjunction with our consolidated financial statements and related notes and the sections “Presentation of Financial and Other Information,” “Summary Financial and Operating Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following selected financial data has been derived from our: (i) unaudited interim consolidated financial statements as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 and the notes thereto and (ii) audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 and the notes thereto, which are included elsewhere in this Offering Memorandum.

The presentation of our audited income statement is based upon Brazilian GAAP and the standardized framework established by the Central Bank, which our management believes is better suited for the financial disclosure of commercial banks rather than investment banks like us. Our management believes that the additional presentation of an unaudited adjusted income statement provides information which is more consistent with the manner in which our publicly traded global investment banking competitors present financial information to the market. Our unaudited adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles and should not be considered in isolation or construed as segment information under IFRS 8 because our management does not rely on this information for decision-making purposes. Furthermore, our unaudited adjusted income statement has not been audited or reviewed by our independent auditors. Accordingly, you are cautioned to not place undue reliance on our unaudited adjusted income statement.

Our unaudited adjusted income statement includes a revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. Our unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing our income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. The classification of the line items in our unaudited adjusted income statement, however, has not been audited or reviewed by our independent auditors and materially differs from the classification of the corresponding line items in our income statement. See “Presentation of Financial and Other Information—Our Unaudited Adjusted Income Statement.”

We have translated some of the *real* amounts included in this Offering Memorandum into U.S. dollars. Except as otherwise expressly indicated, the rate used to convert such amounts was R\$3.168 to US\$1.00, which was the exchange rate in effect as of September 30, 2017, as published by the Central Bank on its electronic information system, SISBACEN. The U.S. dollar equivalent information presented in this Offering Memorandum are provided solely for the convenience of the reader and should not be construed as implying that the amounts presented in *reais* represent, or could have been or could be converted into U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rates may fluctuate widely, and the exchange rate as of September 30, 2017 may not be indicative of future exchange rates. We have not updated the translation rates used above for a most recent date as the translation have been performed solely for convenience and therefore should not be considered in making an investment decision. See “Exchange Rates” for information regarding the *real*/U.S. dollar exchange rates. See “Exchange Rates.”

Selected Balance Sheet

	As of December 31,			As of September 30,	
	2014	2015	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)	(in US\$ millions)
Assets				(Unaudited)	
Cash at banks.....	1,585.3	20,490.9	674.1	837.1	264.2
Interbank investments	37,171.6	32,586.5	20,752.7	25,326.3	7,994.4
Securities and derivative financial instruments .	67,738.3	77,669.0	37,486.2	38,267.4	12,079.4
Interbank transactions	1,164.0	1,921.3	2,235.3	1,541.4	486.6
Loans	16,203.0	55,665.1	9,513.4	11,937.7	3,768.2
Securities trading and brokerage	11,231.6	12,906.1	2,790.9	6,014.0	1,898.4
Other receivables	21,050.8	44,740.1	29,524.5	23,959.1	7,562.8
Other assets	219.5	252.6	153.5	187.0	59.0
Permanent assets	6,298.8	8,317.1	8,640.9	5,639.8	1,780.2
Total assets	162,662.9	254,548.7	111,771.6	113,709.8	35,893.2
Liabilities and Shareholders' equity					
Deposits	19,292.3	86,743.5	7,690.8	8,322.7	2,627.1
Open market funding	38,400.4	20,308.2	24,904.0	27,635.7	8,723.4
Funds from securities issued and accepted	20,783.8	19,559.2	10,335.7	7,964.7	2,514.1
Interbank transactions	3.1	7.2	5.1	5.0	1.6
Loans and onlending	6,868.6	8,097.6	3,544.8	4,104.9	1,295.7
Derivative financial instruments	30,074.8	42,327.0	9,644.9	13,296.8	4,197.2
Other liabilities					
Securities trading and brokerage	4,632.5	12,655.3	4,102.0	7,381.2	2,329.9
Subordinated debts	7,418.6	8,297.2	7,283.0	6,721.6	2,121.7
Debt instrument eligible to equity	3,497.8	5,160.4	4,305.2	4,104.8	1,295.7
Other liabilities	16,193.9	31,140.0	21,961.7	15,280.4	4,823.4
Deferred income	171.1	310.4	141.8	142.2	44.9
Non-controlling interest	592.8	229.4	125.5	140.4	44.3
Shareholders' equity	14,733.3	19,713.3	17,727.2	18,609.3	5,874.1
Total liabilities and shareholders' equity	162,662.9	254,548.7	111,771.6	113,709.8	35,893.2

Selected Income Statement

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)		(in US\$ millions)
				(Unaudited)		
Financial income	13,328.3	15,565.0	13,451.1	11,052.9	7,519.3	2,373.5
Loans	2,289.5	3,118.7	1,809.4	1,570.2	1,250.5	394.7
Securities	7,916.4	10,251.5	4,969.8	3,441.4	4,766.5	1,504.6
Derivative financial instruments.....	2,182.2	2,068.4	4,161.8	3,900.3	1,127.2	355.8
Foreign exchange	914.9	0.0	2,308.0	1,994.0	252.1	79.6
Mandatory investments	25.2	126.3	202.1	147.0	123.0	38.8
Financial expenses	(10,643.8)	(15,767.4)	(6,642.6)	(4,727.1)	(4,478.3)	(1,413.6)
Funding operations	(7,972.8)	(9,236.7)	(7,111.4)	(5,320.7)	(4,084.5)	(1,289.3)
Borrowings and onlending	(2,152.5)	(5,880.0)	565.8	635.6	(187.2)	(59.1)
Foreign exchange	0.0	(82.9)	0.0	0.0	0.0	0.0
Allowance for loan losses and other receivables .	(518.5)	(567.7)	(97.0)	(42.0)	(206.6)	(65.2)
Net financial income (loss)	2,684.4	(202.4)	6,808.5	6,325.8	3,041.0	959.9
Other operating income (expenses)	1,225.2	1,302.9	(2,554.1)	(2,452.8)	(2,051.0)	(647.4)
Income from services rendered	2,918.0	3,505.5	2,697.8	2,327.7	1,080.3	341.0
Personnel expenses	(771.0)	(1,633.9)	(1,676.6)	(1,540.6)	(480.6)	(151.7)
Other administrative expenses	(1,350.0)	(2,092.7)	(2,134.8)	(1,924.1)	(2,436.1)	(769.0)
Tax charges	(298.4)	(191.1)	(556.1)	(462.8)	(177.7)	(56.1)
Equity in the earnings of associates and jointly controlled entities	528.5	1,506.7	(794.0)	702.2	41.3	13.0
Other operating income	640.3	2,236.5	1,266.8	942.2	644.5	203.4
Other operating expenses	(442.4)	(2,028.1)	(1,357.1)	(1,093.0)	(722.7)	(228.1)
Operating income	3,909.7	1,100.5	4,254.4	3,873.0	990.0	312.5
Non-operating income (expenses)	38.3	2,737.1	940.1	562.2	(7.0)	(2.2)
Income before taxation and profit sharing	3,948.0	3,837.6	5,194.5	4,435.3	983.0	310.3
Income tax and social contribution	86.4	3,159.6	(1,112.9)	(1,198.7)	1,200.6	379.0
Provision for income tax	(709.2)	(1,293.7)	(190.8)	(219.3)	586.4	185.1
Provision for social contribution	(231.0)	(453.1)	(157.1)	(148.5)	634.3	200.2
Deferred income tax and social contribution	1,026.6	4,906.4	(765.1)	(830.9)	1,152.8	363.9
Statutory profit sharing	(881.1)	(1,534.5)	(721.5)	(556.1)	(466.1)	(147.1)
Non-controlling interest	215.9	160.8	48.5	48.3	6.0	1.9
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5	544.0
Interest on equity	(600.0)	(914.8)	(1,390.0)	(500.0)	(623.8)	(196.9)

Unaudited Adjusted Income Statement

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in US\$ millions)		
Investment banking	456.1	382.8	367.1	252.2	222.4	70.2
Corporate lending	675.3	983.4	876.6	699.9	627.6	198.1
Sales and trading	2,966.4	4,806.0	2,816.5	2,567.0	1,698.0	536.0
Asset management.....	1,378.3	1,252.2	539.6	426.4	317.1	100.1
Wealth management.....	393.4	1,454.5	2,407.9	2,323.2	270.3	85.3
Principal investments	(423.6)	548.2	(29.8)	73.2	104.0	32.8
Participations.....	(80.1)	6.0	(112.8)	(88.3)	(9.0)	(2.8)
Interest and other.....	1,186.5	1,647.8	1,932.1	1,521.7	926.8	292.6
Total revenues, net of direct expenses allocation	6,552.4	11,080.9	8,797.1	7,775.4	4,157.3	1,312.3
Bonus	(836.0)	(1,598.9)	(805.8)	(703.4)	(504.3)	(159.2)
Salaries and benefits.....	(695.0)	(1,385.7)	(1,637.4)	(1,506.3)	(397.8)	(125.6)
Administrative and others	(883.4)	(1,429.7)	(1,707.9)	(1,518.9)	(602.3)	(190.1)
Goodwill amortization.....	(160.9)	(209.1)	(243.8)	(158.6)	(226.0)	(71.3)
Tax charges, other than income tax	(154.5)	(430.4)	(370.7)	(351.5)	(174.9)	(55.2)
Total operating expenses.....	(2,729.9)	(5,053.8)	(4,765.6)	(4,238.6)	(1,905.3)	(601.4)
Income before taxes.....	3,822.4	6,027.1	4,031.6	3,536.7	2,252.0	710.9
Income tax and social contribution revenue (expense)	(453.2)	(403.6)	(623.0)	(808.0)	(528.5)	(166.8)
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5	544.0

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a Latin American multi-service investment bank, asset manager and wealth manager. In addition, we have established a successful global asset management platform, along with strong international investment and distribution capabilities. We were founded in 1983 and have operated as a meritocratic partnership since our inception. Currently, we have local coverage offices across Latin America, including in Brazil, Chile, Colombia, Mexico and Argentina, and have an international presence focused on distribution of a wide variety of banking products in Latin America and managing global clients' funds in New York and London. Through this platform, we provide a comprehensive range of financial services to a Latin American and global client base that includes corporations, institutional investors, governments and HNWI.

Our Business Units

Our operational strategy is focused on five main business units consisting of:

- **Investment Banking**, which provides financial advisory and capital markets services to companies;
- **Corporate Lending**, which offers financing and loan guarantees to companies;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and equities, derivatives, interest rate and foreign exchange transactions, as well as energy, insurance and reinsurance products and services;
- **Asset Management**, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients; and
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI and institutions. We also offer investment products through BTG Pactual Digital, our recently launched online retail platform.

We continue to also hold ownership interests in companies as part of our Principal Investments business unit and, separately, hold strategic investments in certain other companies both in Brazil and abroad as part of our Participations business unit, each as described below:

- **Principal Investments**, which relate to (i) seed capital in certain of our investment products as a minority investor, with the objective that any such investments usually represent less than 10% of our total investments, (ii) an investment constituting a 17.4% stake in our infrastructure fund; (iii) small investments in real estate funds; and (iv) certain other legacy assets.
- **Participations**, which include as of September 30, 2017: (i) a co-controlling interest in Banco Pan, a commercial and consumer bank, focused on loans, consumer credit, payment-deducted loans and middle market loans; (ii) a 30% ownership interest in EFG, following our sale of BSI to EFG; (iii) a 51% ownership interest in Pan Seguros, a Brazilian insurance company providing personal property insurance to individuals; (iv) a 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments; and (v) an approximately 19.1% ownership interest in Engelhart CTP, a global commodities trading platform, which we spun-off but in which we continue to hold a minority interest.

We are committed to expanding our platform to further strengthen our presence and product offering across Latin America. Following our successful completion of the acquisitions of Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia in 2012, we have

consolidated and expanded our Latin American franchise, including the opening of a bank in Chile in December of 2014 and the opening of our local offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina, each focusing on advisory, asset management and wealth management services, as well as providing a broad range of sales and trade offerings through local broker-dealers. Beyond our initiatives in Latin America, we are focused on continuing to strengthen our broad global asset management capabilities, where we have reestablished our teams and capabilities, grown our AUM, and presented benchmark performance.

We are focused on offering innovative products and services to meet our clients' evolving demands, including through expanding our presence and product offerings in Latin America; and capturing banking disintermediation opportunities arising from technological developments in Brazil and the increasing maturity of Brazilian investors. With these objectives in mind, we recently developed an on-line business platform, BTG Pactual Digital, which is focused primarily on offering several products similar to those products offered to our wealth management clients, including access to our or third party's investment funds, fixed income products and private pension plans.

Macroeconomic Environment

Most of Banco BTG Pactual's business activities are conducted in Brazil. Accordingly, it is significantly affected by the general economic environment in Brazil, which, in turn, is impacted to a larger degree by the political environment. In addition, it derives substantial revenues from non-Brazilian securities and is therefore also subject to global economic conditions and, in particular, fluctuations in worldwide financial markets.

Launched by the Office of the Brazilian Federal Prosecutor at the end of 2014, the ongoing *Lava Jato* investigation has probed members of the Brazilian federal government and other members of the legislative branch, as well as senior officers and directors of large state-owned and other private sector companies in connection with allegations of political corruption. The resulting fallout from the *Lava Jato* investigation contributed to the impeachment of Brazil's former president, Dilma Rousseff, in August 2016 and the destabilization of the Brazilian economy. More recently, new accusations of improper conduct have surfaced against Brazil's current president, Michel Temer, which have resulted in calls for his removal. The Brazilian political and economic scenario has been characterized by high levels of volatility and instability over this period, including a contraction of GDP, sharp fluctuations of the Brazilian *real* against the U.S. dollar and increased levels of unemployment. Increasing levels of political instability or uncertainty resulting from the ongoing *Lava Jato* investigation or other investigations may create additional uncertainty in a number of sectors of the Brazilian economy. For more information, see "Risk Factors—Risks Relating to our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us."

2014

Uncertainties with respect to the electoral cycle and the mounting perception of needed macro adjustments by the incoming government prevailed during 2014, while structural drivers (labor costs, poor infrastructure, etc.) continued to play a negative role. As a result, business confidence dropped consistently, and industry inventory levels increased. Sales showed a slow performance while capacity utilization kept moving southbound, and production stoppages started to be announced. Accordingly, Brazil's labor markets weakened in 2014, mainly with respect to job creation difficulties -- net job creation plunged to 152,714 from 730,687 in 2013. The unemployment rate in 2014 was 6.5%, a relatively low rate since the metric first was tracked in 2002. However, the figure is distorted since the behavior of the unemployment rate was heavily influenced by lower labor force participation and higher self-employment. The credit market maintained a scenario marked by (i) sagging growth, (ii) public banks still leading the way and (iii) stronger growth in earmarked loans. These trends were accompanied by stable non-performing loans and interest rate hikes (in a cycle initiated in 2013). The slowdown had its positive side in terms of sustainability, and credit markets actually fared relatively well for much of 2014. The year-end GDP growth was 0.5%.

On the external sector front, the trade balance in 2014 was worse than initial projections, which were already low. In fact, according to the Brazilian Ministry of Trade, the trade balance posted a deficit of US\$4 billion (versus a surplus of US\$2.3 billion in 2013), the first negative result since 2000. Meanwhile, the current account ended 2014 with a deficit of US\$104.2 billion (versus a deficit of US\$74.8 billion in 2013), and showed little

sensitivity to foreign exchange depreciation. Despite the deficits in the current account, the balance of payments still posted a positive result (US\$10.8 billion), due to short term loans, fixed income and equities portfolio investments.

Regarding public accounts, 2014 results were worse than expected. The public sector primary deficit ended the year at 0.3% of GDP, while gross debt increased from 51.5% to 56.3% of GDP. In addition, net debt increased from 30.5% to 32.6% of GDP. At the margin, government tax revenues declined in real terms (for example, federal tax collection shrank 2.1% in real terms in 2014 compared to the previous year), while government spending increased.

Inflation was unfavorable in 2014. Although market participants were already envisaging some deterioration vis-à-vis 2013 (5.9%), there was room for additional disappointment, as the official inflation index used as reference by the Central Bank for setting inflation targets (the “IPCA”), ended the year at 6.4%, slightly below the upper bounds of the inflation target. Inflation in the services sector was a major upward influence, peaking during the World Cup but remaining flat versus 2013 and above 8%. However, the main highlight was the performance of regulated prices (5.3%), which started to accelerate after abnormally low levels in the previous two years.

Regarding monetary policy, the Central Bank continued its interest rate hiking cycle initiated in April 2013, raising the SELIC rate from 10% to 11% from January through April. Later in the year, after the presidential elections, COPOM surprised markets by further increasing the SELIC rate, which ended the year at 11.75% per annum. The increase in the interest rate along with the uncertainty around the election outcome and the impact from the World Cup weighed on the economic activity.

Finally, the *real* suffered a 11.8% depreciation in relation to the U.S. dollar, reaching R\$2.66 as of December 31, 2014.

2015

During 2015, the Brazilian economic outlook continued to deteriorate. GDP contracted by 3.77% as of December 31, 2015, recording the worst annual performance in 25 years. On September 15, 2015, Standard & Poor’s cut its ratings outlook on Brazil to negative from stable, citing that the country is still facing political and economic challenges despite a significant policy correction.

The IPCA ended the year at 10.67%, reflecting an 18.1% increase in regulated prices and an 8.5% rise in the free-market prices.

Fiscal spending increased 0.72% in real terms in 2015 (compared to 2014) while fiscal revenues decreased 7.16%. On the positive side, external accounts improved significantly. The trade balance accumulated US\$19.7 billion surplus in 2015, the highest since 2011. The depreciation of the Brazilian *real* coupled with the decline in the economic activity explains the result.

In 2015, the *real* suffered a 32.0% depreciation in relation to the U.S. dollar, reaching R\$3.90 as of December 31, 2015.

2016

The Brazilian economy continued to deteriorate in 2016. On February 15, 2016, Standard & Poor’s downgraded Brazil’s long-term debt to BB from BB+ and maintained the negative outlook. Further, on May 26, 2016, Moody’s Investors Service downgraded Brazil’s government bond rating to Ba2(P) from Ba2. Moody’s also changed the outlook on the rating to negative from stable. Moody’s Investors Service cited: (i) weak economic growth, increased government spending and a lack of political consensus, which will limit the authorities’ ability to arrest and reverse upward trends in deficit and debt metrics, and (ii) materially deteriorating debt metrics relative to Baa-rated peers.

Brazil recorded a 3.59% decrease in its GDP for the year ended December 31, 2016. In addition, the IPCA recorded a 6.29% year-over-year decrease as of December 31, 2016.

In the external sector, the current account deficit totaled US\$23.5 billion (1.2% of GDP) in 2016, less than half the 2015 total (US\$59.4 billion).

Finally, the *real* appreciated relative to the U.S. dollar reaching R\$3.26 as of December 31, 2016.

2017

First Quarter

After contracting for eight consecutive quarters, GDP grew in the first quarter of 2017.

With respect to inflation, the 12-month IPCA print continued to decline, and in March, headline inflation fell to 4.6% year over year, from 6.3% year over year at the end of 2016, with fundamentals signaling further disinflation ahead.

In the external sector, the current account deficit continued to improve in the first quarter, explained by the dramatic increase in the trade balance surplus, which rose 72% compared to the same period in 2016.

Second quarter

The 12-month IPCA decreased to 2.7% year-over-year in July, below the lower bound of the inflation target tolerance band. Together with positive inflation expectations, the CMN announced decreases in the inflation targets for 2019 and 2020, to 4.25% and 4.00%, respectively, setting the stage for a gradual convergence towards so-called “global standards.”

Third quarter

With respect to inflation, the 12-month IPCA print slowed to 2.5% year over year in September, well below the lower end of the inflation target tolerance interval (3%). Against this background, and in response to low inflation expectations and a comfortable output gap, the Central Bank continued cutting the SELIC benchmark interest rates at a fast pace.

On the external sector, the current account deficit continued to improve in the third quarter, mainly due to the continued improvement in the trade balance surplus, which totaled US\$16.3 billion in the third quarter of 2017 versus US\$11.9 billion in the third quarter of 2016. In the financial account, there has been an improvement in the main sources of financing, with rollover rates reaching higher levels. At the same time, short-term capital outflows have been increasing. Looking forward, a potential recovery of economic activity should cause imports to advance, leading to a gradual weakening of the current account in longer horizons.

Finally, on the fiscal front, after some worse-than-expected prints, there have been more benign results. This is mainly due to recent auctions in the hydro and oil sectors that are expected to bring in much needed one-off flows and tax revenues, helping the achievement of this year’s fiscal target. Meanwhile, mandatory expenditures continue expanding at a fast rate, only partially offset by tight discretionary spending.

The Central Bank estimates that the Brazilian economy will grow in 2017, with current estimates at 0.7% GDP growth. In addition, the Central Bank currently estimates that the Brazilian economy will grow 2.2% in 2018.

The following table presents key data relating to the Brazilian economy for the periods indicated:

	For the year ended December 31,			For the nine months end September 30, 2017
	2014	2015	2016	
GDP growth.....	0.50%	(3.77%)	(3.59%)	-
CDI rate ⁽¹⁾	10.77%	13.18%	14.00%	8.03%
TJLP ⁽²⁾	5.00%	7.00%	7.50%	7.50%
SELIC rate ⁽³⁾	11.75%	14.25%	13.75%	8.25%
Appreciation (depreciation) of the <i>real</i> against the U.S. dollar ⁽⁴⁾	(9.74%)	(31.04%)	23.92%	2.47%
Selling exchange rate (at period end) R\$ per US\$1.00 ⁽⁵⁾ ..	R\$2.66	R\$3.90	R\$3.26	R\$3.17
Average exchange rate R\$ per US\$1.00 ⁽⁶⁾	R\$2.35	R\$3.34	R\$3.48	R\$3.18
Inflation (IGP-M) ⁽⁷⁾	3.69%	10.54%	7.17%	(2.12%)
Inflation (IPCA) ⁽⁸⁾	6.41%	10.67%	6.29%	1.78%

Sources: BNDES, Central Bank, IBGE and Economática.

- (1) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*, “CDI”), is the average daily interbank deposit rate in Brazil (at the end of the years).
- (2) *Taxa de Juros de Longo Prazo* (“TJLP”) represents the long-term interest rate applied by BNDES for long-term financing (at the end of the years).
- (3) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC (at the end of the years).
- (4) Calculated for 2014, 2015 and 2016 using the exchange rate for conversion of U.S. dollars into *reais* on December 31 as compared to January 1 of the same year.
- (5) The selling exchange rate at the end of the years.
- (6) Average of the selling exchange rates on the last day of each month during the years.
- (7) The IGP-M, as calculated by FGV.
- (8) The inflation rate is the Consumer Price Index, as calculated by the IBGE.

Principal Factors Affecting Banco BTG Pactual’s Financial Condition and Results of Operations

Banco BTG Pactual faces a variety of risks that are substantial and inherent to its businesses, including market, liquidity, credit, operational, legal, regulatory and reputational risks. A summary of the most important factors that could affect its businesses follows below. For a further discussion of these and other important factors that could affect its businesses, see “Risk Factors.” For a discussion of how management seeks to manage some of these risks, see “—Risk Management” below.

Market Conditions and Market Risk

The financial performance of Banco BTG Pactual’s various business units is affected in various degrees by the environments in which it operates.

A favorable business environment in any particular market, including Brazil, is generally characterized by, among other factors, high and sustainable gross domestic product growth, transparent, liquid and efficient capital markets, low inflation, a high level of business and investor confidence, stable political and economic conditions and strong business earnings. Unfavorable or uncertain economic and market conditions mainly result from: (i) declines or volatility in economic growth, business activity or investor confidence; (ii) limitations on the availability or increases in the cost of credit and capital; (iii) increases in inflation, interest rates, exchange rate volatility, default rates, commodity prices, capital controls or limits on the remittance of dividends; (iv) outbreaks of hostilities or other geopolitical instability; (v) corporate, political or other scandals, including with respect to corruption, that reduce investor confidence; (vi) natural disasters, pandemics or acute climatic conditions, such as drought; (vii) nationalization or forced seizures by the government; or a combination of these or other factors. Banco BTG

Pactual's businesses and profitability have been and may continue to be adversely affected by market conditions in many ways, including the following:

- Many of Banco BTG Pactual's business activities, such as its principal investments and corporate lending unit, have exposures to debt securities, loans, derivatives, mortgages, equities (including private equity) and other types of financial instruments. In addition, Banco BTG Pactual also maintains an inventory of securities on its balance sheet to facilitate its clients' activities in its sales and trading unit, including its market-making business. As a result, it commits large amounts of capital to maintain financial instruments in its trading book and loans and other debt instruments in its banking book. The majority of these long and short exposures to financial instruments are marked-to-market on a daily basis and, as a result, declines in asset values directly and immediately impact its earnings, unless it has effectively "hedged" its exposure to such declines. Even with respect to financial instruments that are not marked-to-market, declines in asset values may eventually impact Banco BTG Pactual's earnings, unless it has effectively "hedged" its exposure to such declines. In certain circumstances (particularly in the case of private equities or other securities that are not freely tradable or lack established and liquid trading markets), it may not be possible or economically viable to hedge such exposures, and even to the extent that it does so, the hedge may be ineffective or may greatly reduce Banco BTG Pactual's ability to profit from increases in the values of the assets. Sudden declines and significant volatility in the prices in financial markets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces its ability to limit losses in such positions, which could require Banco BTG Pactual to maintain additional capital and increase its funding costs.
- Banco BTG Pactual's cost of obtaining long-term unsecured funding is directly related to its credit spreads. Credit spreads are influenced by market perceptions of Banco BTG Pactual's creditworthiness. Widening credit spreads, as well as significant declines in the availability of credit, may adversely affect its ability to borrow. Banco BTG Pactual funds its operations on an unsecured basis by issuing deposits, medium-term debt and long-term debt, or by obtaining lines of credit. It seeks to finance many of its assets, including its less liquid assets, on a secured basis, including by entering into repurchase agreements. Disruptions in credit and financial markets make it difficult and more expensive to obtain funding for its businesses. If available funding is limited or Banco BTG Pactual is forced to fund its operations at higher costs, these conditions may require it to curtail its business activities or increase its cost of funding, both of which could reduce its profitability, particularly in its businesses that involve investing, lending and taking principal positions, including market making.
- In the recent past, Banco BTG Pactual's business units, particularly its investment banking unit, have been, and may continue to be, adversely affected by challenging market conditions. Brazil, for example, is currently recovering from a challenging economic environment, and there can be no assurance that the economic disruptions that have been affecting the country in recent years will not reemerge. With respect to its investment banking unit, unfavorable economic conditions and other adverse geopolitical conditions can adversely affect and have adversely affected the confidence of investors, companies and their controlling shareholders, and management teams, resulting in significant industry-wide declines in the size and number of underwritten capital raising and of financial advisory transactions, which could have an adverse effect on Banco BTG Pactual.
- Banco BTG Pactual's sales and trading unit reacts to market volatility, which in turn affects trading and arbitrage opportunities. Decreases in market volatility can reduce these activities and adversely affect the results of the business unit. Increases in market volatility can increase trading volumes and spreads, and positively affect revenues, but can also increase Banco BTG Pactual's risk exposure, which could eventually lead to a decrease in revenues.
- The performances of Banco BTG Pactual's asset and wealth management units are directly influenced by prevailing economic conditions in Latin America (particularly in Brazil) and elsewhere. These activities generally depend, among other factors, on assumption by its clients of greater risk, which may decline in periods of economic uncertainty. In addition, unfavorable market conditions generally lead to increased interest rates for time deposits and fixed-income instruments. Any of these factors may cause Banco BTG

Pactual's clients to transfer their assets out of its funds or affect its ability to attract new clients or additional assets from existing clients and result in reduced net revenues from these activities. Banco BTG Pactual receives management fees based on the value of its clients' portfolios or investment in funds managed by it and, in many cases, also receives performance fees based on increases in the value of such investments. Declines in asset values reduce the value of its clients' portfolios or fund assets, which in turn reduce the management and performance fees it earns for managing such assets.

Liquidity Risk

Liquidity is essential to Banco BTG Pactual's business. Banco BTG Pactual's liquidity may be impaired by an inability to access secured and/or unsecured funding, an inability to access funds from its subsidiaries or to sell assets or redeem its investments, or by unforeseen outflows of cash or collateral. Such situations may arise due to regulatory changes or circumstances that Banco BTG Pactual may be unable to control, such as a general market disruption or an operational problem that affects third parties or us, or even by the perception among market participants that Banco BTG Pactual, or other market participants, are experiencing liquidity constraints. Liquidity risk tends to increase to the extent that Banco BTG Pactual holds a larger inventory or trades a broader range of financial instruments and invests in non-publicly traded companies, mainly via its private equity activities.

The financial instruments that Banco BTG Pactual holds and the contracts to which it is a party often do not have readily available markets to access in times of liquidity stress, as in the case of loans and other types of credit instruments and other financial instruments not traded in organized markets (i.e., over the counter financial instruments). Further, its ability to sell assets or otherwise access debt markets may be impaired if other market participants seek to sell similar assets at the same time, as is likely to occur in a general liquidity or other market crisis. In addition, financial institutions with which Banco BTG Pactual interacts may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair its access to liquidity.

Banco BTG Pactual's credit ratings are important to its liquidity. A reduction in its credit ratings could adversely affect its liquidity and competitive position, increase its borrowing costs, limit its access to the capital markets or trigger certain obligations under bilateral provisions in some of its trading and collateralized financing contracts. Under these provisions, counterparties could, for example, be permitted to terminate contracts with Banco BTG Pactual or require it to post additional collateral. Termination of Banco BTG Pactual's trading and collateralized financing contracts could cause it to sustain losses and impair its liquidity by requiring it to find other sources of financing or to make significant cash payments or securities movements.

Credit and Counterparty Risk

Banco BTG Pactual is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties may default on their obligations to Banco BTG Pactual due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect it. Banco BTG Pactual is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations it holds could result in losses and/or adversely affect its ability to use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of any of its counterparties could also have a negative impact on its results. While in many cases Banco BTG Pactual is permitted to require additional collateral by counterparties that experience financial difficulty, disputes may arise as to the amount of collateral Banco BTG Pactual is entitled to receive and the value of pledged assets. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Through our corporate lending business, we have extended loans to companies in the Brazilian construction sector that are subject to the *Lava Jato* investigations. In some cases, the financial condition of these borrowers was, and continues to be, adversely affected by the consequences of these investigations. As a result of these investigations, these borrowers may be required to pay substantial fines, experience liquidity problems or may be restricted in their ability to make payments on these loans, which may increase the number of non-performing loans,

decrease demand for borrowings and adversely impact our business. See “Risk Factors—Risks Relating to Our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.”

Banco BTG Pactual finances its clients’ positions as part of its sales and trading business, and could be held liable for defaults or misconduct by its clients. Although Banco BTG Pactual regularly reviews and manages credit exposures to specific clients and counterparties and to specific industries, countries and regions, default risk may arise from events or circumstances that are difficult to detect or foresee, particularly as new business initiatives lead it to transact with a broader array of clients and counterparties and expose it to new asset classes and new markets.

As it has divested assets, the amount and duration of Banco BTG Pactual’s credit exposures and the number of entities to which it has credit exposures have decreased over the past two years. Due to the wholesale nature of its business, Banco BTG Pactual has a natural concentration risk in its credit portfolio.

The credit risk analysis of the transactions and counterparties are performed by an independent area (Credit Risk Control), and approved by the Credit Risk Committee, where consent from both business and control functions are required.

Operational Risk

Operational risk incidents can adversely affect Banco BTG Pactual’s profitability, customer service and reputation and may require substantial resources and effort by management to remediate. It is Banco BTG Pactual’s strategy to manage operational risks in a cost effective manner, within targeted levels consistent with our risk appetite. All areas are required to review and improve continuously the robustness of Banco BTG Pactual’s Operational Risk Framework through the ongoing analysis of operational risk incidents and understanding whether such incidents resulted from lack of appropriate control standards or non-performance of existing controls. All areas must reassess their risks, issues and controls at least annually and report them to operational risk area according to internal standards.

The business of Banco BTG Pactual is highly dependent on its ability to process, monitor and settle a large and complex number of operations. These transactions often involve different markets, currencies, jurisdictions and legal, tax and regulatory standards. To assist in this scenario, Banco BTG Pactual relies on a variety of systems, which can be developed internally or supported by an external vendor. System failures (hardware or software), disruption in telecommunication, and power failure can all result in interrupted business and financial loss.

The interconnectivity between financial institutions and the central agents or clearing houses may increase the risk of an operational failure at one of these agents, causing an industry-wide failure. These events are also monitored by Banco BTG Pactual and directly impact the ability of the institution to conduct its business.

The large volume of transactions processed by Banco BTG Pactual coupled with, in some cases, their highly complex nature, presents additional operational risks in terms of failure in delivery, transaction or process management that has the potential to cause losses. Errors in data entry, miscommunication, deadline misses, accounting errors, inaccurate reports, incorrect client records, negligent loss of client assets and vendor disputes are operational risk events that could bring legal exposure.

Business Continuity Management (BCM) is a management process that identifies risk, threats and vulnerabilities that could impact an entity’s continued operations and provides a framework for building organizational resilience and the capability for an effective response.

The objective of Business Continuity Management is to make BTG Pactual more resilient to potential threats and allow the entity to resume or continue operations under adverse or abnormal conditions. This is accomplished by the introduction of strategies to reduce the likelihood and impact of a threat and the development of plans to respond and recover from threats that cannot be avoided or mitigated.

Legal and Regulatory Risk

Banco BTG Pactual is subject to extensive and evolving regulation in jurisdictions around the world. Firms in the financial services industry have been operating in a difficult regulatory environment. Recent market

disruptions have led to numerous proposals for significant additional regulation of the worldwide financial services industry. These regulations could limit Banco BTG Pactual's business activities, increase compliance costs and, to the extent the regulations strictly control the activities of financial services firms, make it more difficult for Banco BTG Pactual to distinguish itself from competitors. Substantial legal liability or a significant regulatory action against Banco BTG Pactual could have material adverse financial effects or cause significant reputational harm to it, which in turn could seriously harm its business.

As a financial institution, Banco BTG Pactual is generally subject to capital requirements on a consolidated basis set forth by the Central Bank, and certain of its subsidiaries are also subject to capital requirements based on standards adopted by local (i.e., host) government regulators, by whom they are also supervised on a stand-alone basis. Complying with these requirements may require Banco BTG Pactual to liquidate assets or raise capital in a manner that could adversely increase its funding costs or otherwise adversely affect its unit holders and creditors, including note holders. In addition, failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on its financial condition.

Like other institutions that operate in the financial segments in which it operates, Banco BTG Pactual faces some litigation risks in its businesses, including potential litigation involving securities fraud, conflicts of interest and insider trading, among others. For additional information regarding global regulatory standards for banks and banking systems and their implementation in Brazil, see "Regulatory Overview—The Brazilian Financial System and Banking Regulation—Banking Regulation—Principal Limitations and Restrictions on Financial Institutions—Capital Adequacy and Leverage."

Through its subsidiaries in the United States, Banco BTG Pactual is also subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and SEC. Through BTG Pactual Europe LLP, one of Banco BTG Pactual's operating entities authorized and supervised by the Financial Conduct Authority (the "FCA"), to provide investment services, Banco BTG Pactual is additionally subject to other regulatory requirements in the United Kingdom. Through the Luxembourg Branch and its subsidiary, Banco BTG Pactual is subject to Luxembourg regulatory law and the supervision of the CSSF. See "Risk Factors—Risks Relating to the Regulatory Environment—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulation, and we cannot predict the effect of such regulation on our business," "Regulatory Overview—Regulation in the United States," "Regulatory Overview—Regulation in the United Kingdom" and "Regulatory Overview—Regulation in Luxembourg." Its Chilean, Colombian, Peruvian, Mexican and Luxembourg operations are subject to regulatory capital requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually.

Tax Risk

Tax risk includes the risk of exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory assessment as a result of non-compliance with applicable legal and regulatory requirements.

Banco BTG Pactual is subject to the tax laws of the various jurisdictions in which it operates. To determine the financial statement impact of accounting for taxes, including the provision for income tax expense and deferred taxes, and to seek to comply with applicable tax law, Banco BTG Pactual must make assumptions and judgments about how to apply these tax laws. However, many of these tax laws are complex, subject to different interpretations and are frequently under review by governmental authorities. These reviews frequently result in revisions to applicable laws, regulations and interpretations thereof, sometimes with retroactive effect.

For example, in recent years, tax authorities have paid closer attention to transfer pricing and have reviewed the allocation of income and loss, and taxes paid, to their respective jurisdictions. It is possible that tax authorities could require that items of income or loss be reallocated among, or disallowed for, Banco BTG Pactual's subsidiaries, or could levy tax assessments on its subsidiaries in a manner that adversely affects it.

In addition, disputes may occur regarding Banco BTG Pactual's view with respect to a tax position. These disputes with the various taxing authorities may be settled by audit, administrative appeals or adjudication in the

court systems of the tax jurisdictions in which it operates. Banco BTG Pactual regularly reviews whether it may be assessed additional taxes as a result of the resolution of these matters, and additional reserves may be recorded as appropriate. Additionally, it may revise Banco BTG Pactual's estimate of taxes due to changes in tax laws, regulatory instructions, legal interpretations and tax planning strategies. It is also responsible for withholding taxes, acting as the withholding agent in some transactions and serving as the legal representative of foreign investors, if elected. It is possible that revisions in its estimate of taxes may materially affect it in any reporting period.

Banco BTG Pactual's tax department is accountable for managing tax risks and also for supporting all its business units and administrative areas. All potential risks are promptly and clearly reported to its Senior Management Team.

Reputational Risk

The success of Banco BTG Pactual's businesses is highly dependent on its reputation and, as a result, it maintains principles and practices that it believes conforms to the highest ethical standards. Banco BTG Pactual carefully and selectively reviews transactions and services before it accepts an engagement in order to minimize any potential damage to its reputation. Banco BTG Pactual believes that damage to its reputation can arise from: (i) doing business with controversial counterparties or clients; (ii) the social, environmental or public impact of a transaction performed or facilitated by Banco BTG Pactual; (iii) any action or decision that does not conform to the letter and spirit of the law and regulations to which Banco BTG Pactual and its clients are subject; and (iv) the perceptions of Banco BTG Pactual's clients, counterparties, investors and regulators, or the public in general, with respect to the foregoing. To ensure the appropriate monitoring of reputational risks, Banco BTG Pactual maintains a Code of Conduct, which sets forth its principles regarding ethical business standards. In addition, Banco BTG Pactual provides specific guidance on various topics in the form of internal policies and procedure manuals and offers extensive training for all of its staff

Financial Statements

Applicable Accounting Standards

Banco BTG Pactual's consolidated financial statements are prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank in accordance with the standards and instructions of the CMN, the CVM and the Central Bank, when applicable. Banco BTG Pactual's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities ("SPE").

The preparation of Banco BTG Pactual's consolidated financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank, requires management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent inaccuracies in its determination. Banco BTG Pactual and its subsidiaries periodically review these estimates and assumptions. No financial statements prepared in accordance with IFRS for any period are being included in this Offering Memorandum. See "Annex A: Differences between Brazilian GAAP and IFRS."

Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and the portions of net income (loss) and shareholders' equity relating to non-controlling interest were included. Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities are recognized in investments.

Functional Currency

The items included in our consolidated financial statements are measured using the currency of the main economic environment in which we operate (functional currency). Our consolidated financial statements are presented in *reais* (R\$), which is our functional currency. Assets and liabilities were translated into *reais* using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate. The financial statements of our foreign affiliates, originally stated in their functional currencies, were translated into *reais* at the foreign exchange rates on the reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature for the years ended December 31, 2016, 2015 and 2014. From January 1, 2017, the effects of foreign exchange variations on investments abroad are distributed in the fair value adjustments in the shareholders' equity.

Emphasis Paragraphs Included in the Auditors' Reports

The auditor's report for our consolidated financial statements as of and for the year ended December 31, 2015 and the auditor's review report for our unaudited consolidated financial statements as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016, included elsewhere in this Offering Memorandum, include emphasis-of-matter paragraphs related to Banco BTG Pactual's investment in Banco Pan. As of December 31, 2014 and 2015 and as of September 30, 2017, Banco Pan had deferred tax assets recorded on its balance sheet amounting to R\$2.9 billion, R\$3.1 billion and R\$3.2 billion, respectively, recognized based on long-term projections of future taxable income on which the deferred tax assets will be realized. These deferred tax realization projections were reviewed by Banco Pan's management based on current and future scenarios analyses and approved by its board of directors, relying on certain assumptions related to macroeconomics indices for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco Pan.

Selected Balance Sheets and Income Statements

Banco BTG Pactual's balance sheet and income statement data (i) as of and for the nine months ended September 30, 2017 and 2016 are derived from and should be read in conjunction with its unaudited interim consolidated financial statements and related notes thereto and (ii) as of and for the years ended December 31, 2016, 2015 and 2014 are derived from and should be read in conjunction with its audited consolidated financial statements and related notes for the years ended December 31, 2016, 2015 and 2014, respectively.

Critical Accounting Policies

In connection with the preparation of its financial statements, Banco BTG Pactual was required to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting periods. Banco BTG Pactual's judgment is particularly relevant in the determination of fair values of financial assets and the assessment of the need for provisions for contingent liabilities. Although Banco BTG Pactual believes that its judgment and estimates are based on reasonable assumptions and are made in light of information available to it, they are nevertheless subject to several risks and uncertainties and its actual results may differ from these judgments and estimates.

Banco BTG Pactual sets forth below summarized information relating to its critical accounting policies. See the notes to its financial statements for further information on these critical accounting policies and other accounting policies it adopts.

Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities of up to 90 days, subject to an insignificant risk of change in value.

Short-term interbank investments, remunerated deposits at the Central Bank, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and onlending, subordinated debts and other asset and liability transactions

Transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a “pro rata die basis”, based on the effective rate of the transactions.

Securities

Measured and classified in accordance with the criteria established by the Central Bank Circular No. 3068/01 under the following categories:

Trading securities

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjusted to fair value, recognized in statements of income.

Available for sale securities

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded in profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in statements of income after the effective realization.

Held-to-maturity securities

These are securities that Banco BTG Pactual has the intent and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to the statements of income. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

According to the Central Bank Circular No. 3,068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

Derivative Financial Instruments

These are classified according to management's intent, on the transaction date, considering whether such transactions are for hedging purposes.

The transactions using financial instruments of one's own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in statements of income.

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as a hedge and are classified according to their nature:

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in the statements of income.
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net

of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.

- Net Investment Hedge of Foreign Operations: accounted for similarly to cash flow hedge, i.e. the portion of gains or losses on a hedging instrument that is determined to be an effective hedge, including overhedge to offset tax impact on hedge, is recognized in stockholders' equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

Starting January 1, 2017, Banco BTG Pactual adopted net investment hedge of foreign operations.

Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, is calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the options market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and non-deliverable forward agreements ("NDF") are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in statements of income. The notional amount of such agreements is recorded in memorandum accounts.

Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

Sale or transfer of financial assets with substantial retention of risks and benefits

Financial assets remain on the transferor's balance sheet when the transferor sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

Loans and other receivables (operations with credit characteristics)

Loans and other receivables with credit characteristics are recorded at present value, calculated on a "pro rata die" basis on the index variation and on the agreed upon interest rate, updated up to the 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least at the same level in which they were classified before renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in results when actually received.

Allowance for loan losses

Allowance for loan losses are recognized based on an analysis of loan risk losses at an amount deemed sufficient to cover probable losses, pursuant to CMN Resolution 2,682/99, among which:

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodic analysis of client quality and activity of industries and not only upon default.

- Considering exclusively the default, written off loans against losses are carried after 360 days from the credit due date or after 540 days for transactions with maturity over 36 months.
- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio in accordance with the criteria established by CMN Resolution 2,682/99.

Investment property

Investment properties held by subsidiaries, whose main business is real estate investments, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties is determined at least on an annual basis, or when the company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economic benefits are expected from their disposal.

Investments

Jointly controlled and associates are accounted for under the equity method. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

Foreign currency translation

The items included in our consolidated financial statements are measured using the currency of the main jurisdiction in which we operate (functional currency). Our consolidated financial statements are presented in *reais* (R\$), which is our functional currency. Assets and liabilities were translated into *reais* using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate. The financial statements of the companies abroad, originally stated in their functional currencies, were translated into *reais* at the foreign exchange rates on the reporting dates. The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature for the years ended December 31, 2016, 2015 and 2014. From January 1, 2017, the effects of foreign exchange variations on investments abroad are recorded as currency translation adjustments under asset valuation adjustments in the shareholders' equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated financial statements.

Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired. Goodwill recorded on the basis of expected future results of acquired subsidiaries, are amortized according to cash flow projections underlying the transaction or, when the investment is written-off, by disposal or impairment, before projections are achieved. Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

Intangible assets

Refers to acquired rights that have their underlying assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3,642. Comprised of (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company; (ii) for

acquired rights of assets management contracts; and (iii) software and improvements in third party property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

Impairment on non-financial assets

Whenever there is clear evidence that assets are measured at an unrecoverable amount, it is recorded as loss in the results in the income statement. This procedure is performed at the end of each fiscal year. Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are, with respect to expectations of future cash flows, discount rates and illiquidity, among others.

Tax charges

Starting January 1, 2017, in connection with net investment hedge of foreign operations, shareholders' equity is recorded net of tax impact from hedges and reclassified as income or loss for the period in the event of the disposal of the foreign operation.

Income tax and social contribution

The provisions for income tax and social contribution are recorded based on accounting profits adjusted by additions and deductions according to the applicable tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution.

Contingent assets and liabilities, and legal, tax and social security obligations

Recognized according to the criteria described below:

- *Contingent assets:* Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.
- *Contingent liabilities:* Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably relevant. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions nor disclosure.
- *Legal obligations:* tax and social security: Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

Earnings per share

Calculated based on weighted average shares outstanding for the period.

Revenue Recognition

Revenues and expenses are recorded under the accrual method.

Banco BTG Pactual's Unaudited Adjusted Income Statement

The presentation of our audited income statement is based upon Brazilian GAAP and the standardized framework established by the Central Bank, which its management believes is better suited for the financial disclosure of commercial banks rather than investment banks like Banco BTG Pactual. We believe that the additional presentation of an adjusted income statement provides information which is more consistent with the manner in which our publicly-traded global investment banking competitors present financial information to the market.

Banco BTG Pactual's unaudited adjusted income statement includes revenues breakdown by business unit net of funding costs and financial expenses allocated to such unit, a reclassification of certain other expenses and costs for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014, and a discussion of such adjusted income statement. Banco BTG Pactual's unaudited adjusted income statement is derived from the same accounting information that generated accounting records used for preparing its income statement in accordance with Brazilian GAAP for the nine months ended September 30, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014. The classification of the line items in its unaudited adjusted income statement, however, has not been audited or reviewed by its independent auditors and materially differs from the classification of the corresponding line items in its income statement, as further described below. Prospective investors are urged to read carefully the financial statements before making an investment decision to purchase the Notes. Banco BTG Pactual's unaudited adjusted income statement has not been audited nor reviewed by its independent auditors, Ernst & Young Auditores Independentes S.S.

A summary of certain material presentation differences between Banco BTG Pactual's unaudited adjusted income statement and the presentation of the income statement in accordance with Brazilian GAAP for the years and periods ended included in this Offering Memorandum can be found on "Presentation of Financial Information and Other Information—Our Unaudited Adjusted Income Statement."

Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations

Following allegations against Mr. Esteves in November 2015, our management adopted a series of actions to preserve liquidity and capital, which included, among other actions, the disposal of certain relevant investments in subsidiaries and affiliates and corporate restructuring of certain other of our investments. The impact of certain recent acquisitions, divestitures and spin-offs is described below.

BSI/EFG

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement providing for its indirect acquisition of 100% of the capital shares of BSI SA, a Swiss financial institution ("BSI"), from a subsidiary of Assicurazioni Generali S.p.A. ("Generali NV"). The total final aggregate consideration paid, before the adjustments described below, was CHF1,248 million in cash (equivalent to R\$4,935 million using the exchange rate as of the closing date) consisting of: (i) CHF1,048 million in cash (equivalent to R\$4,162 million using the exchange rate as of the closing date) and (ii) a number of common and preferred shares of Banco BTG Pactual's underlying IPO units of the BTG Pactual Group, with a value of CHF200 million based on trading price over a period prior to closing of the acquisition of BSI (equivalent to R\$773 million using the exchange rate as of the closing date). The transaction also generated a preliminary negative goodwill of CHF27 million (equivalent to R\$109 million using the exchange rate as of the closing date).

The cash consideration and value of the equity consideration accrued interest from January 1, 2014 through the closing date of the acquisition of BSI at Swiss LIBOR plus 1% (in the case of the cash consideration) and Swiss LIBOR plus 2% (in the case of the value of the equity consideration) and was subject to certain adjustments as provided in the BSI share purchase agreement. In addition, BSI was participating as a "Category 2 bank" in the U.S. Department of Justice's Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks (the "DOJ Program"), which allows Swiss banks to resolve certain U.S. client related matters within the defined framework of the DOJ Program. The cash consideration and value of the equity consideration was proportionately decreased for certain pre-closing liabilities of BSI, including the payment or provisions made by BSI under or in connection with the DOJ Program. On March 30, 2015, BSI was the first bank to obtain a non-prosecution agreement under the DOJ Program, under which BSI paid US\$211 million to the DOJ, with the effect of reducing the cash consideration and value of the equity consideration payable by the BTG Pactual Group.

On January 22, 2015, the acquisition of BSI was approved by the Central Bank. On May 29, 2015, the acquisition of BSI was approved by the Swiss Financial Market Supervisory Authority, and on September 30, 2015, the transaction closed, with BSI's results incorporated into our consolidated financial statements as of that date.

In February 2016, BSI sold its remaining equity interest, equivalent to 49.0%, in B-Source, BSI's business process outsourcer.

Confronted with a challenging financial and liquidity scenario at the end of 2015 in the aftermath of the arrest of André Esteves and mounting macroeconomic pressures in Brazil, we pursued a strategy to maintain a conservative balance sheet and increased liquidity, and consistent with this strategy, on February 21, 2016, the BTG Pactual Group entered into a definitive share purchase agreement to sell 100% of BSI to EFG International (“EFG”), a global private banking and asset management firm headquartered in Zurich, Switzerland. We completed the sale to EFG on October 31, 2016. The final transaction consideration for the sale comprised of: (i) CHF575 million in cash (equivalent to R\$1,880 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016), (ii) CHF86.2 million in EFG shares listed on SIX, the Swiss stock exchange, corresponding to a 30% stake in EFG (using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG (equivalent to R\$101 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016), which generated a goodwill in the amount of CHF340 million (equivalent to R\$1,111.8 million using the exchange rate of R\$3.27 per CHF1.00, which was the exchange rate on November 1, 2016).

On March 15, 2017, the BTG Pactual Group received a notification from EFG requesting purchase price adjustments of approximately CHF278 million in favor of EFG pursuant to the documentation related to the sale of BSI. After careful review of such requested adjustments, and based on available information as of such date, including input from the BTG Pactual Group’s advisers, the BTG Pactual Group disagreed and believed that the appropriate adjustment on a risk adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiations with EFG, the BTG Pactual Group agreed to return CHF89 million (equivalent to R\$294 million using the exchange rate of R\$3.31 per CHF1.00, which was the exchange rate on July 17, 2017) of the amount previously paid by EFG. The resolution of this matter included the CHF95 million amount previously imposed by the Swiss Financial Market Supervisory Authority on BSI that is the subject of a pending appeal.

Banco BTG Pactual recognizes the remaining stake of its investment in EFG as an investment in an associate entity based on the equity method. As of September 30, 2017, Banco BTG Pactual’s remaining stake in EFG was 30%.

Acquisition of Pan Seguros and Pan Corretora from Banco Pan

Banco Pan, Banco BTG Pactual and CaixaPar (Banco BTG Pactual’s co-investee in Banco Pan), executed a purchase and sale agreement on August 21, 2014, through which Banco Pan sold (i) its 100% interest in Pan Seguros S.A. to BTG Pactual Seguradora S.A. (“BTGP Seguradora”), our subsidiary, as well as (ii) its 100% interest in Pan Corretora S.A. (“Pan Corretora”), to us and CaixaPar, for the total combined amount of R\$580.0 million, which was adjusted by the 100% positive variation of DI (interbank deposit) rate on the closing of the transactions on December 29, 2014. These transactions generated goodwill of R\$393.7 million, which BTGP Seguradora recorded in 2014. CaixaPar protected its right to maintain, after the closing of the transactions, its position as co-controlling shareholder of Pan Seguros S.A. and, accordingly, after the acquisition, BTGP Seguradora was merged into Pan Seguros S.A., with Banco BTG Pactual holding a 51.0% interest in the surviving entity.

Banco Pan Capital Increase

On June 13, 2014, Banco Pan approved a R\$3.0 billion capital increase through the issuance of up to R\$1.5 billion of 443,786,982 new nominative and non-par shares, of which up to 242,566,348 are common shares and up to 201,220,634 preferred shares, at the issuance price of R\$3.38 per common or preferred share, for private subscription by Banco Pan’s shareholders. Banco BTG Pactual and CaixaPar exercised their respective preemptive rights in connection with this capital issuance and made a total capital contribution of R\$651 million and R\$576 million respectively, which generated negative goodwill of R\$22 million for Banco BTG Pactual recorded in 2014. As a result of these transactions, Banco BTG Pactual currently holds a 40.35% economic interest in Banco Pan.

Acquisition of Bamerindus

On December 19, 2014, the Central Bank approved Banco BTG Pactual’s acquisition of certain credits and rights held by Fundo Garantidor de Créditos (“FGC”) against Banco Bamerindus do Brasil S.A. and other companies in Bamerindus’s economic group (collectively, “Bamerindus”). As consideration, Banco BTG Pactual paid R\$107 million to FGC in December 2014, and will pay the remaining amount to FGC in four annual

installments of R\$87 million, indexed to CDI, through 2018, of which R\$243.5 million remains outstanding as of September 30, 2017. As a result of this transaction, Banco BTG Pactual acquired control of Bamerindus, with 98.8% of its total and voting capital and recorded negative goodwill in the amount of R\$26.5 million in 2014. Also on December 19, 2014, Bamerindus's extrajudicial liquidation process concluded, and Banco BTG Pactual changed Bamerindus's name to Banco Sistema S.A. The acquired assets did not include the Bamerindus brand.

As of December 31, 2014, Banco Sistema S.A. had assets and shareholders' equity in the amount of R\$2,355.6 million and R\$804.4 million, respectively. In addition, as of December 31, 2014, Banco Sistema S.A. had tax losses basis carryforward in the amount of R\$5,220.6 million generated in the years 1993 and 2010. Deferred income tax asset over this base (40%) will be registered when management can support with reasonable assurance profitable forecast taxable income or when they are realized. In connection with a special tax regularization program (PERT), deferred income tax assets may be used to settle tax obligations.

Commodities Business Spin-Off

Banco BTG Pactual historically operated a diversified global commodities business operating in Asia, Africa, the Americas and Europe with a focus on energy products, minerals, metals and ores, and agriculture, in addition to an underlying bulk-shipping business. Its activities were primarily concentrated on bulk commodities that can be hedged in liquid derivative markets, with revenues derived from participation in physical trading flows.

On April 8, 2016, Banco BTG Pactual decided to separate its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk, from the operational structure of Banco BTG Pactual and to rearrange the commodities platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners. As a result of this spin-off, Banco BTG Pactual's historical commodities platform began operating separately from Banco BTG Pactual, with limited administrative and operational services to be provided by Banco BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. Through April 8, 2021, Engelhart CTP has the option to acquire its remaining equity interest held by the Banco BTG Pactual for its equity value.

In October 2016, as part of this commodities spin-off, (i) 596,209,676 Class A shares of Engelhart CTP were delivered to Banco BTG Pactual's shareholders that elected to receive an equity interest in Engelhart CTP against delivery to Banco BTG Pactual of 596,209,676 Class C Preferred Shares and (ii) 59,457,673 additional IPO units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP.

In 2016, as part of the commodity trading activities separation process, Engelhart CTP acquired 6.1% of its own shares held by Banco BTG Pactual. The total consideration was US\$150 million and the price was equivalent to Engelhart CTP's net asset accounting value.

During the nine months ended September 30, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.65% of its own shares held by the Banco BTG Pactual. The total consideration paid was US\$251 million and the price was equivalent to Engelhart CTP's net asset accounting value.

Banco BTG Pactual recognizes the remaining stake of its investment in Engelhart CTP as an investment in an associate entity based on the equity method. As of the date of this offering memorandum, Banco BTG Pactual's remaining stake in Engelhart CTP was 19.08%.

Acquisition and Sale of Insurance Assets

To expand its insurance business, the BTG Pactual Group entered into a joint venture with Abu Dhabi Investment Council (ADIC) to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, on July 10, 2014, Banco BTG Pactual acquired 100% of the shares of certain subsidiaries of Ariel Re (Holding) Limited ("Ariel Re"), which constitute the Global Atlantic Financial Group Limited's Bermuda-based property and casualty reinsurance operations, for a total purchase price of U.S.\$315 million, net of adjustments. The subsidiaries included Ariel Re P&C Midco Ltd., Arrow Corporate Member Holdings, LLC, Ariel Re Bda Limited, Ariel Re UK Limited and AFCL Inc., or, collectively, the JV

Entities. Following the closing of this transaction, Banco BTG Pactual transferred the JV Entities to Maybrooke Holdings S.A. (“Maybrooke”), the legal joint venture entity with ADIC, and received the equivalent of U.S.\$157 million for 50% of its interest in these entities.

On November 14, 2016, the BTG Pactual Group, together with its joint-venture partner, entered into definitive agreements to sell 100% of the equity interests in Maybrooke to Argo Group International Company Ltd. for an estimated cash consideration of US\$235 million. On February 6, 2017, the sale transaction of Maybrooke equity interest was completed, and generated a loss in the amount of R\$35 million.

Sale of Rede D’Or

In April 2015, Banco BTG Pactual through one of its subsidiaries, converted debentures in the amount of R\$986.0 million issued by Rede D’Or, and received shares equivalent to 21.1% of its equity, which generated goodwill in the amount of R\$649.8 million. In May 2015, following a capital increase of Rede D’Or, Banco BTG Pactual’s interest was diluted to 19.4% and generated an equity pickup gain of R\$269.2 million, net of proportional goodwill amortization.

In June, 2015, Banco BTG Pactual sold 7.2% of its interest in Rede D’Or and recognized a gain of R\$1,027.2 million under non-operating income. Later that year, Banco BTG Pactual sold its remaining investment in Rede D’Or and recognized a gain of R\$2.7 billion, also under non-operating income. The transaction documents for the sale contemplate an adjustment in the sale price in case the share price of an initial public offering does not reach a certain price. On December 31, 2016, Banco BTG Pactual estimated that the value of these contractual rights is zero.

Loans Recovery Activity

On December 31, 2015, Banco BTG Pactual entered into a firm commitment to sell its full ownership interest in Recovery do Brasil Consultoria S.A. (“Recovery”), which provided corporate loan portfolio recovery and other credit agreement services as part of Banco BTG Pactual’s corporate lending activities, for the total amount of R\$1.2 billion, structured as follows: (i) transfer of ordinary shares, equivalent to 81.94% of Recovery’s share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL (“FIDC NPL I”), which is a fund that holds a non-performing loan portfolio, equivalent to 69.34% of the FIDC NPL I’s total investment, and (iii) transfer of non-convertible debentures issued by Renova Companhia Securitizadora de Créditos Financeiros S.A., which is an entity that also holds a non-performing loan portfolio. On the same date, the referred assets were transferred to be held for sale measured at fair value. The transaction generated an approximate gain of R\$560 million recorded in 2015 under other operating income. On February 17, 2016, the sale transaction was approved by Conselho Administrativo de Defesa Econômica (“CADE”), and on March 31, 2016 the transaction was settled.

In November 2016, Banco BTG Pactual entered into definitive purchase agreements to acquire 70% of the share capital of Enforce, a Brazilian company that, like Recovery, operates in the recovery of corporate loan portfolios, for a purchase price of R\$19.0 million, which it acquired to perform some of the same types of operations that Recovery once did. On December 20, 2016, the Central Bank approved the acquisition of 70% of the share capital of Enforce by Banco BTG Pactual, and on April 5, 2017, the transaction closed.

Restructuring of Eneva

The restructuring process of Eneva, a power generation company based in Rio de Janeiro, Brazil to which we provided corporate loans, was completed in September 2015. As part of the restructuring process, part of the loans held by Banco BTG Pactual were converted into an equity interest in Eneva, and Banco BTG Pactual also contributed new assets to the company. As of December 31, 2016, Banco BTG Pactual had an ownership interest equivalent to 33.7% of the total capital of Eneva. As a result of the completion of the Eneva’s restructuring process and its share market price, fair value in the amount of R\$142 million were recognized in the year ended December 31, 2016 under the line item “Net Financial Income—Securities.”

Provision for Impairment of SETE

Over the course of 2015, we recorded several provisions for impairment in connection with Banco BTG Pactual's proprietary investment in SETE Participações S.A. ("SETE"), a Brazilian company specialized in drilling rigs for oil and gas industry in Brazil in which Petrorbas holds a minority interest. These write-offs were equal to 92.1% of SETE's book value, which effectively decreased our results for the year ended December 31, 2015 by R\$1,095.7 million.

Sale of Thor Comercializadora

On October 30, 2015, Banco BTG Pactual sold Thor Comercializadora, one of its energy trading entities with contracts totaling R\$1.8 billion on such date, for the total amount of R\$2.0 billion to a third party buyer, of which R\$200 million was received at closing, with the remaining amount to be received over five years in semiannual installments, subject to price adjustments. In connection with this sale, Banco BTG Pactual recorded gains of R\$345.4 million on October 30, 2015 from the sale. In December 2016, Banco BTG Pactual repurchased Thor Comercializadora de Energia S.A. from the buyer, applying the accounts receivable in connection with the original transaction plus payment of R\$89.5 million.

Acquisition of Uruguayan Timberlands from Weyerhaeuser

On June 5, 2017, the Timberland Group announced that a consortium led by it, part of BTG Pactual Asset Management and one of the world's largest timber asset managers, would purchase Uruguay timberlands and a manufacturing business from Weyerhaeuser for US\$402.5 million in cash. The acquisition will significantly expand the Timberland Group's presence in Uruguay, where it has operated since 2005. The transaction includes over 300,000 acres (120,000 hectares) of timberlands in northeastern and north central Uruguay, as well as plywood and veneer manufacturing facility, a cogeneration facility and a seedling nursery.

Other Divestments

In addition, in the 60 days following the arrest of Mr. Esteves in November 2015, Banco BTG Pactual also sold (i) its remaining stake in BR Properties, a portfolio company focused on the development, acquisition, leasing and sale of commercial & industrial/logistics real estate properties in Brazil, for R\$600 million and (ii) its stake in ATLL Concessionaria de La Generalitat de Catalunya S.A, the company responsible for managing the 50-year concession granted to Aigues Ter Llobregat, which manages the upstream water supply for Barcelona, Spain, for R\$317 million.

Consolidated Income Statement (Brazilian GAAP)

The following table sets forth the income statement of Banco BTG Pactual for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, and is derived from the respective financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this Offering Memorandum:

	For the year ended December 31,			For the nine months ended		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)		
						(in US\$ millions)
Financial income	13,328.3	15,565.0	13,451.1	11,052.9	7,519.3	2,373.5
Loans	2,289.5	3,118.7	1,809.4	1,570.2	1,250.5	394.7
Securities	7,916.4	10,251.5	4,969.8	3,441.4	4,766.5	1,504.6
Derivative financial instruments	2,182.2	2,068.4	4,161.8	3,900.3	1,127.2	355.8
Foreign exchange	914.9	0.0	2,308.0	1,994.0	252.1	79.6
Mandatory investments	25.2	126.3	202.1	147.0	123.0	38.8
Financial expenses	(10,643.8)	(15,767.4)	(6,642.6)	(4,727.1)	(4,478.3)	(1,413.6)
Funding operations	(7,972.8)	(9,236.7)	(7,111.4)	(5,320.7)	(4,084.5)	(1,289.3)
Borrowings and onlending	(2,152.5)	(5,880.0)	565.8	635.6	(187.2)	(59.1)
Foreign exchange.....	0.0	(82.9)	0.0	0.0	0.0	0.0

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)		(in US\$ millions)
Allowance for loan losses and other receivables	(518.5)	(567.7)	(97.0)	(42.0)	(206.6)	(65.2)
Net financial income (loss).....	2,684.4	(202.4)	6,808.5	6,325.8	3,041.0	959.9
Other operating income (expenses) ..	1,225.2	1,302.9	(2,554.1)	(2,452.8)	(2,051.0)	(647.4)
Income from services rendered	2,918.0	3,505.5	2,697.8	2,327.7	1,080.3	341.0
Personnel expenses	(771.0)	(1,633.9)	(1,676.6)	(1,540.6)	(480.6)	(151.7)
Other administrative expenses	(1,350.0)	(2,092.7)	(2,134.8)	(1,924.1)	(2,436.1)	(769.0)
Tax charges	(298.4)	(191.1)	(556.1)	(462.8)	(177.7)	(56.1)
Equity in the earnings of associates and jointly controlled entities.....	528.5	1,506.7	(794.0)	(702.2)	41.3	13.0
Other operating income.....	640.3	2,236.5	1,266.8	942.2	644.5	203.4
Other operating expenses.....	(442.4)	(2,028.1)	(1,357.1)	(1,093.0)	(722.7)	(228.1)
Operating income.....	3,909.7	1,100.5	4,254.4	3,873.0	990.0	312.5
Non-operating income (expenses) ..	38.3	2,737.1	940.1	562.2	(7.0)	(2.2)
Income before taxation and profit sharing	3,948.0	3,837.6	5,194.5	4,435.3	983.0	310.3
Income tax and social contribution ..	86.4	3,159.6	(1,112.9)	(1,198.7)	1,200.6	379.0
Provision for income tax.....	(709.2)	(1,293.7)	(190.8)	(219.3)	(586.4)	(185.1)
Provision for social contribution	(231.0)	(453.1)	(157.1)	(148.5)	634.3	200.2
Deferred income tax and social contribution.....	1,026.6	4,906.4	(765.1)	(830.9)	1,152.8	363.9
Statutory profit sharing.....	(881.1)	(1,534.5)	(721.5)	(556.1)	(466.1)	(147.1)
Non-controlling interest	215.9	160.8	48.5	48.3	6.0	1.9
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5	544.0
Interest on equity	(600.0)	(914.8)	(1,390.0)	(500.0)	(623.8)	(196.9)

Net Financial Income

Banco BTG Pactual's net financial income consists of financial income less financial expenses.

Banco BTG Pactual's financial income is composed primarily of income derived from: (i) interest charged on loans plus commissions charged in connection with Banco BTG Pactual's credit operations; (ii) interest income, realized gains or losses from transactions involving securities and unrealized gains and losses arising from mark-to-market accounting practices applicable to the securities portfolio, which may include government bonds and private securities as well as repurchase agreements; (iii) net realized and unrealized gains from (a) trading of financial instruments for the purpose of mitigating risk, including swaps, forwards, futures, options and other derivatives, in accordance with the Bank's customers' needs; and (b) mark-to-market accounting practices applicable to such instruments; (iv) net gains from fluctuations of exchange rates related to positions in foreign currencies and commissions obtained from transactions involving the purchase and sale of foreign currencies; and (v) interest on mandatory deposits maintained at the Central Bank.

Furthermore, Banco BTG Pactual's financial income is affected by the realized and unrealized gains/losses of hedging instruments. These instruments are used to offset exchange rate effects on financial income itself and in other lines of the income statement. From January 1, 2017, we adopted net investment hedge of foreign operations. (see "—Critical Accounting Policies—Derivative Financial Instruments").

Banco BTG Pactual's financial expenses are composed primarily of expenses derived from: (i) interest expenses in connection with repurchase agreements on open market transactions and deposits; (ii) interest and fees paid on borrowings in Brazil and abroad, including borrowings from Brazilian governmental agencies such as BNDES, in which Banco BTG Pactual acts as agent; (iii) net realized and unrealized losses from (a) its trading of financial instruments for the purpose of mitigating risk, including swaps, forwards, futures, options and other derivatives; and (b) mark-to-market accounting practices applicable to such instruments; (iv) gains or losses on its short position of equities on B3; (v) interest expenses on secured funding obtained from its prime brokers; and (vi)

allowance for loan losses made in accordance with its accounting practices and as determined by the requirements of CMN Resolution 2,682/99.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's net financial income decreased from R\$6,325.8 million for the nine months ended September 30, 2016 to R\$3,041.0 million for the nine months ended September 30, 2017, mainly due to (i) the positive impact of financial income from Engelhart CTP and BSI in the nine months ended September 30, 2016, contributing R\$853.7 million and R\$874.1 million, respectively, in net financial income during the period, while in the nine months ended September 30, 2017, Banco BTG Pactual's remaining share of Engelhart CTP (after the spin-off in October 2016) and the results of BSI (after sale to EFG in November 2016) are accounted for solely as equity in the earnings of associates and, therefore, no longer impact our net financial income line items (See "--Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations") and (ii) the positive impact of the hedge instruments related to foreign subsidiaries and associates denominated mainly in U.S. Dollars in the nine months ended September 30, 2016 compared to no impact of such instruments in the nine months ended September 30, 2017, when there was a change in accounting practice for hedge accounting (see "--Critical Accounting Policies—Derivative Financial Instruments").

Financial Income. Banco BTG Pactual's financial income decreased 32.0%, from R\$11,052.9 million for nine months ended September 30, 2016 to R\$7,519.3 million for the nine months ended September 30, 2017. This decrease was due to the following factors:

Loans. Banco BTG Pactual's revenues from loans decreased 20.4%, from R\$1,570.2 million for the nine months ended September 30, 2016 to R\$1,250.5 million for the nine months ended September 30, 2017, mainly due to a 71.3% decrease in its loan portfolio, from an average balance of R\$40,929.9 million in the nine months ended September 30, 2016 to an average balance of R\$11,741.2 million for the nine months ended September 30, 2017, reflecting mainly the impact of the BSI sale. In the nine months ended September 30, 2016, BSI contributed R\$413.1 million in revenues from loans, with no corresponding impact in the same period of 2017. Excluding the effects of BSI, the average balance of Banco BTG Pactual's loan portfolio increased 2.0% in the period from R\$11,515.2 for the nine months ended September 30, 2016 to R\$11,741.2 for the nine months ended September 30, 2017. The BSI loan portfolio had lower spreads than Banco BTG Pactual's Brazilian loan portfolio, in line with Swiss interest rates, and therefore the decrease in total revenues was partially offset by a higher average spread for the nine months ended September 30, 2017.

Securities. Banco BTG Pactual's revenues from securities increased 38.5%, from R\$3,441.4 million for the nine months ended September 30, 2016 to R\$4,766.5 million for the nine months ended September 30, 2017, mainly due to: (i) the negative impact of the foreign exchange effect on our assets denominated in U.S. dollars as a result of the appreciation of the *real* against the US dollar for the nine months ended September 30, 2016 compared to no comparable effect on those assets for the nine months ended September 30, 2017 reflecting a change in the presentation of our financial statements pursuant to which foreign exchange variations on investments abroad are distributed in fair value adjustments in shareholders' equity (see Note 3(b) to our unaudited interim consolidated financial statements as of and for the nine months ended September 30, 2017 and 2016 included elsewhere in this offering memorandum); (ii) an increase in revenues from open market investments in Brazil, due to the increase in the average balance of such investments from R\$20,226.3 million for the nine months ended September 30, 2016 to R\$22,458.1 million for the nine months ended September 30, 2017; and (iii) higher gains in certain equities positions in the nine months ended September 30, 2017 compared to the same period of 2016. These effects were partially offset by R\$359.6 million in revenues from securities traded in BSI entities and R\$318.6 million in revenues from securities traded in Engelhart CTP entities for the nine months ended September 30, 2016 with no corresponding revenue during the same period of 2017.

Derivative Financial Instruments. Banco BTG Pactual's revenues from derivative financial instruments decreased 71.1%, from R\$3,900.3 million for the nine months ended September 30, 2016 to R\$1,127.2 million for the nine months ended September 30, 2017, mainly due to (i) a positive impact from hedge instruments related to foreign associates and subsidiaries denominated mainly in U.S. Dollars for the nine months ended September 30, 2016 as a result of the appreciation of the *real* against the US dollar, compared to no impact of such instruments in our results of operations for the nine months ended September 30, 2017, when we adopted net investment hedge

of foreign operations and (ii) the positive contribution to our results of operations from commodities linked derivatives of Engelhart CTP during the nine months ended September 30, 2016, corresponding to revenues of R\$484.9 million, with no corresponding effect during the same period of 2017.

Foreign Exchange. Banco BTG Pactual's foreign exchange results decreased 87.4%, from R\$1,994.0 million for the nine months ended September 30, 2016 to R\$252.1 million for the nine months ended September 30, 2017, primarily due to (i) a less volatile currency market reducing our revenues from our hedge positions and (ii) the impact of BSI and Engelhart CTP revenues in the nine months ended September 30, 2016, which contributed R\$203.0 million and R\$113.7 million, respectively, in revenues, with no corresponding impact in the same period of 2017.

Mandatory Investments. Banco BTG Pactual's revenues from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, decreased 16.3%, from R\$147.0 million for the nine months ended September 30, 2016 to R\$123.0 million for the nine months ended September 30, 2017, mainly due to a decrease in the CDI rate from 10.36% in the nine months ended September 30, 2016 to 8.03% for the nine months ended September 30, 2017, which was partially offset by an increase of 5.8% in the daily average balance of the mandatory investments, from R\$1,480.5 million for the nine months ended September 30, 2016 to R\$1,566.8 million for the nine months ended September 30, 2017.

Financial Expenses. Banco BTG Pactual's financial expenses decreased 5.3%, from R\$4,727.1 million for the nine months ended September 30, 2016 to R\$4,478.3 million for the nine months ended September 30, 2017. This decrease was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations decreased 23.2%, from R\$5,320.7 million for the nine months ended September 30, 2016 to R\$4,084.5 million for the nine months ended September 30, 2017, mainly as a result of: (i) a decrease of 41.6% in the average balance of its funds from securities issued and accepted, from R\$15,480.9 million for the nine months ended September 30, 2016 to R\$9,046.9 million for the nine months ended 2017, (ii) a 48.3% decrease in CDB and CDI average balance portfolios from R\$15,805.1 million for the nine months ended September 30, 2016 to R\$8,166.4 million for the nine months ended September 30, 2017, (iii) R\$24.1 million in expenses from funding operations from BSI in the nine months ended September 30, 2016, with no corresponding expense in 2017 and (iv) the impact of the CDI rate decrease, from 10.36% in the nine months ended September 30, 2016 to 8.03% for the nine months ended September 30, 2017, thus reducing expenses to the extent indexed to this rate. These decreases were partially offset by an increase of 40.8% in our average repurchase agreement portfolio from R\$21,595.5 million for the nine months ended 2016 to R\$29,273.3 million for the nine months ended September 30, 2017 and corresponding expenses in relation thereto.

Borrowings and onlending. Banco BTG Pactual's results from borrowings and onlending varied from a R\$635.6 million gain for the nine months ended September 30, 2016 to a R\$187.2 million loss for the nine months ended September 30, 2017, mainly due to the positive effect from foreign exchange on borrowings denominated in U.S. dollars for the nine months ended September 30, 2016, as a result of the appreciation of the *real* against the US dollar, corresponding to gains of R\$1,367.9 million compared to gains of only R\$199.1 million for the nine months ended September 30, 2017. Such decrease was partially offset by lower expenses related to negative mark-to-market adjustments of Banco BTG Pactual's equity short positions traded on the B3, which generated losses of R\$192.6 million for the nine months ended September 30, 2017, compared to losses of R\$472.0 million for the nine months ended September 30, 2016 and, to lesser extent, a R\$86.7 million decrease in expenses reflecting borrowing and onlending expenses related to BSI and a R\$32.8 million decrease in borrowing and onlending expenses from Engelhart CTP in the nine months ended September 30, 2016, with no corresponding impact from BSI or Engelhart CTP during the same period of 2017.

Derivative Financial Instruments. See explanation of "Derivative Financial Instruments" under "Financial Income" above. Pursuant to Brazilian GAAP, when Banco BTG Pactual incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income.

Allowance for loan losses and other receivables. Banco BTG Pactual's expenses related to its allowance for loan losses and other receivables increased from R\$42.0 million for the nine months ended September 30, 2016 to R\$206.6 million for the nine months ended September 30, 2017. Such increase was mainly due to higher

provisions due to an increase in past due payments mainly from certain utility company borrowers and, to a lesser extent, the impact of R\$88.1 million in gains for the reversal of provisions in relation to BSI in the nine months ended September 30, 2016, with no corresponding impact in the nine months ended September 30, 2017. These effects were partially offset by the impact of the commodities spin-off, which generated expenses from allowance for loan losses of R\$36.9 million in the nine months ended September 30, 2016, with no similar effect during the same period of 2017.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's net financial income increased, from a loss of R\$202.4 million in 2015 to a gain of R\$6,808.5 million in 2016, mainly due to the positive impact of the hedge instruments related to foreign subsidiaries and associates denominated mainly in U.S. Dollars in 2016 compared to a negative impact of such instruments in 2015. This variation was partially offset by a reduction in loans revenues as a result of a reduction of our Brazilian credit portfolio and by a smaller contribution from our commodities division due to the spin-off of Engelhart CTP in October 2016, pursuant to which Banco BTG Pactual's remaining stake in Engelhart CTP is accounted for solely as equity in the earnings of associates and, therefore, no longer impacts our financial results (See "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations") and, to a lesser extent, the impact of seven months of results from BSI, following the closing of Banco BTG Pactual acquisition in 2015 compared to nine months of results in 2016, prior to Banco BTG Pactual's sale of BSI to EFG.

Financial Income. Banco BTG Pactual's financial income decreased 13.6%, from R\$15,564.9 million in 2015 to R\$13,451.1 million in 2016. This decrease was due to the following factors:

Loans. Banco BTG Pactual's revenues from loans decreased 42%, from R\$3,118.7 million in 2015 to R\$1,809.4 million in 2016, mainly due to a 36.8% decrease in our Brazilian corporate lending portfolio from an average balance of R\$17,805.6 million in 2015 to an average balance of R\$11,254.1 million in 2016. This decrease was a consequence of the sale our credit portfolio in order to generate liquidity as part of management's broader initiatives to preserve capital and liquidity in the aftermath of the arrest of André Esteves in November 2015.

Securities. Banco BTG Pactual's revenues from securities decreased 51.5%, from R\$10,251.4 million in 2015 to R\$4,969.8 million in 2016, mainly due to: (i) negative impact from the foreign exchange effect on our assets denominated in U.S. dollars as a result of the appreciation of the *real* against the US dollar in 2016, compared to a positive impact on those assets in 2015 when there was a depreciation of the *real* against the U.S. dollar; and (ii) a decrease in revenues from open market investments in Brazil, due to the decrease in the average balance of such investments from R\$26,788.8 million in 2015 to R\$19,898.6 million in 2016, partially offset by an increase in revenues from securities traded in BSI entities, which results were consolidated into Banco BTG Pactual's results for three quarters of 2016 compared to only one quarter of 2015.

Derivative Financial Instruments. Banco BTG Pactual's results from derivative financial instruments increased 101.2%, from R\$2,068.4 million in 2015 to R\$4,161.8 million in 2016, mainly due to a positive impact of the hedge instruments related to foreign associates and subsidiaries denominated mainly in U.S. Dollars in 2016 with the appreciation of the *real* against the US dollar, compared to a negative impact of such instruments in 2015 when there was a depreciation of the *real* against the US dollar. These gains were partially offset by a lower contribution from commodities linked derivatives due to the spin-off of Engelhart CTP in October 2016, which generated revenues of R\$3,917.9 million in 2015 compared to R\$484.9 million in 2016.

Foreign Exchange. Banco BTG Pactual's foreign exchange results varied from a loss of R\$82.9 million in 2015 to a gain of R\$2,308.0 million in 2016, primarily as a result of the use in 2016 of spot instruments to partially hedge our foreign exchange currency exposure.

Mandatory Investments. Banco BTG Pactual's revenues from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, increased 60.0%, from R\$126.3 million in 2015 to R\$202.1 million in 2016, mainly due to an increase of 52.7% in the daily average balance of mandatory investments, from R\$1,010.8 million in 2015 to R\$1,543.2 million in 2016, reflecting Banco BTG Pactual's participation in *Depósitos a Prazo com Garantia Especial* program which offers investors extended guarantees provided by the FGC in the case of an intervention, liquidation or insolvency recognized by the competent party of the financial institution.

Financial Expenses. Banco BTG Pactual's financial expenses decreased 57.9%, from R\$15,767.3 million in 2015 to R\$6,642.6 million in 2016. This decrease was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations decreased 23.0%, from R\$9,236.7 million in 2015 to R\$7,111.3 million in 2016, mainly as a result of: (i) a decrease of 44.5% in average balance of its open market funding portfolio, from R\$38,932 million in 2015 to R\$21,595 million in 2016; (ii) a 34.8% decrease in average balance of financial bills, from R\$22.169 million in 2015 to R\$14,462 million in 2016, and (iii) a 28.3% decrease in CDB and CDI average balance portfolios from R\$19,734 million in 2015 to R\$14,156 million in 2016.

Borrowings and onlending. Banco BTG Pactual's results from borrowings and onlending varied from a R\$5,880 million expense in 2015 to a R\$565 million gain in 2016, mainly due to: the positive effect from foreign exchange on borrowings denominated in U.S. dollars as a result of the appreciation of the *real* against the US dollar in 2016, which generated a positive result of R\$1,414.9 million, as compared to the negative impact of the depreciation of the *real* against the US dollar in 2015 which caused a R\$5,426.3 million loss. These effects were partially offset by higher expenses related to negative mark-to-market adjustments of Banco BTG Pactual's equity short positions traded on B3, which generated losses of R\$81.4 million in 2015, compared to losses of R\$526.8 million in 2016.

Derivative Financial Instruments. See explanation of "Derivative Financial Instruments" under "Financial Income" above. Pursuant to Brazilian GAAP, when Banco BTG incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income.

Allowance for loan losses and other receivables. Banco BTG Pactual's expenses related to its allowance for loan losses and other receivables decreased from R\$567.7 million in 2015 to R\$97.0 million in 2016. The decrease in such expenses in 2016 was mainly due to: (i) contraction of Banco BTG Pactual's credit portfolio in 2016, thereby reducing Banco BTG Pactual's exposure to credit risk and (ii) a decrease in provisions, which we believe demonstrates the resilience of our credit portfolio and our conservative approach in terms of provisioning in prior years, including the increase in allowance for loan losses at the end of 2015 to reflect potential liquidity discount during the period.

Year ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's net financial income varied from a gain of R\$2,684.4 million in 2014 to a loss of R\$202.4 million in 2015, mainly due to the negative impact of the depreciation of the *real* against the US dollar on hedge instruments and the higher funding costs following an expansion of our overall funding base. This was partially offset by: (i) strong commodities revenue from the growth of our commodities platform and (ii) higher revenues from loans following an increase in our loan portfolio.

Financial Income. Banco BTG Pactual's financial income increased 16.8%, from R\$13,328.2 million in 2014 to R\$15,564.9 million in 2015. This increase was due to the following factors:

Loans. Banco BTG Pactual's revenues from loans increased 36.2%, from R\$2,289.4 million in 2014 to R\$3,118.7 million in 2015, mainly due to a 134.5% increase in its loan portfolio, from an average balance of R\$16,002.7 million in 2014 to an average balance of R\$37,522.4 million in 2015, of which R\$53,567.5 million corresponded to the acquisition of BSI, partially offset by a lower average spread in 2015 which was impacted by the acquisition of BSI, which maintained significantly lower spreads than Banco BTG Pactual in line with the Swiss interest rate.

Securities. Banco BTG Pactual's revenues from securities increased 29.5%, from R\$7,916.3 million in 2014 to R\$10,251.4 million in 2015, mainly due to: (i) positive effects of foreign exchange on our assets denominated in U.S. dollars as a result of the depreciation of the *real* against the US dollar, (ii) higher revenues from Brazilian Government Bonds Portfolio, which grew 10.6%, from an average balance of R\$4,191.4 million in 2014 to R\$4,637.6 million in 2015, and (iii) higher CDI rates, which increased from 10.77% in 2014 to 13.18% in 2015 coupled with the increase in the average balance of our open market investments in Brazil, from R\$25,589.8 million in 2014 to R\$26,788.9 million in 2015.

Derivative Financial Instruments. Banco BTG Pactual's results from derivative financial instruments decreased 5.2% from R\$2,182.2 million in 2014 to R\$2,068.4 million in 2015, mainly due to losses from our hedge instruments impacted by the depreciation *real* against U.S. dollar in 2015. This was partially offset by strong commodities revenues posted in 2015.

Foreign Exchange. Banco BTG Pactual's foreign exchange results varied from a gain of R\$914.9 million in 2014 compared to a loss of R\$82.9 million in 2015, primarily as a result higher foreign exchange rate volatility in the Brazilian market in 2014 coupled with higher volumes traded in the foreign exchange spot markets in Brazil that year.

Mandatory Investments. Banco BTG Pactual's revenues from mandatory investments, which are derived from its mandatory deposits placed with the Central Bank, increased from R\$25.2 million in 2014 to R\$126.3 million in 2015. This increase in revenues was due to: (i) an increase in the average balance of such investments from R\$238.2 million in 2014 to R\$1,010.8 million in 2015 as a result of changes in its funding portfolio; and (ii) higher CDI rates, which increased from 10.77% in 2014 to 13.18% in 2015.

Financial Expenses. Banco BTG Pactual's financial expenses increased 48.1%, from R\$10,643.8 million in 2014 to R\$15,767.3 million in 2015. This increase was due to the following factors:

Funding Operations. Banco BTG Pactual's expenses from funding operations increased 15.9% from R\$7,972.8 million in 2014 to R\$9,236.7 million in 2015, mainly as a result of: (i) an increase in its open market funding expenses, from R\$4,640.0 million in 2014 to R\$5,309.6 million in 2015 in connection with the 14.3% increase in the average balance of its open market funding portfolio, from R\$34,062.5 million in 2014 to R\$38,932.3 million in 2015; (ii) an increase in expenses of R\$362.2 million in 2015 related to the issuance of our Tier 1 bonds in September 2014 at a fixed-rate of 8.75% per annum; (iii) an increase in the average balance of subordinated debt from R\$8,356.4 million in 2014 to R\$12,655 million in 2015, due to the issuance of financial bills in 2015 and the full year impact of the Tier 1 bonds, and (iv) the higher CDI rates, impacting the cost of funding, which increased from 10.77% in 2014 to 13.18% in 2015. These impacts were partially offset by the positive impact of the bonds repurchased in the end of 2015.

Borrowings and onlending. Banco BTG Pactual's expenses from borrowings and onlending increased 173.2% from R\$2,152.5 million in 2014 to R\$5,880.0 million in 2015, mainly due to: (i) the negative impact of the depreciation of the *real* against the U.S. dollar in 2015 on loans denominated in U.S. dollars, (ii) the 98.7% increase in the average balance of borrowings and onlending from R\$5,851.8 million in 2014 to R\$11,627.4 million in 2015; and (iii) the impact of a higher cost of funding in the context of a higher CDI, which increased from 10.77% in 2014 to 13.18% in 2015.

Derivative Financial Instruments. See explanation of "Derivative Financial Instruments" under "Financial Income" above. Pursuant to Brazilian GAAP, when Banco BTG incurs a loss from its derivative financial instruments, it records such loss as a financial expense, and when Banco BTG Pactual incurs a gain from its derivative financial instruments, Banco BTG Pactual records such gain as financial income.

Allowance for loan losses and other receivables. Banco BTG Pactual's expenses related to its allowance for loan losses and other receivables increased 9.5% from R\$518.5 million in 2014 to R\$567.7 million in 2015. The increase in such expenses in 2015 was mainly due to: (i) higher provisions due to the overall growth of Banco BTG Pactual's credit portfolio and higher provisions in connection with lending to utility companies, specifically and (ii) the impact of certain particular provisions in connection with our commodities division due to the deterioration of credit of two specific credit counterparties.

Other Operating Income

Banco BTG Pactual's other operating income is primarily affected by revenues from services rendered, compensation, headcount and levels of client activity.

The table below shows the composition of Banco BTG Pactual's other operating income for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in US\$ millions)		
Income from services rendered	2,918.0	3,505.5	2,697.8	2,327.7	1,080.3	341.0
Personnel expenses	(771.0)	(1,633.9)	(1,676.6)	(1,540.6)	(480.6)	(151.7)
Other administrative expenses	(1,350.0)	(2,092.7)	(2,134.8)	(1,924.1)	(2,436.1)	(769.0)
Tax charges	(298.4)	(191.1)	(556.1)	(462.8)	(177.7)	(56.1)
Equity in the earnings of associates and jointly controlled entities	528.5	1,506.7	(794.0)	(702.2)	41.3	13.0
Other operating income	640.3	2,236.5	1,266.8	942.2	644.5	203.4
Other operating expenses	(442.4)	(2,028.1)	(1,357.1)	(1,093.0)	(722.7)	(228.1)
Other operating income	1,225.2	1,302.9	(2,554.1)	(2,452.8)	(2,051.0)	(647.4)

The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		
	2014	2015	2016	2016	2017	2017
	(in R\$ millions)			(in R\$ millions)		
Management and performance fee from investment funds and portfolio	1,563.0	1,823.0	1,157.6	976.2	366.6	115.7
Underwriting and advisory fees ⁽¹⁾	922.0	1,048.5	830.5	682.3	399.5	126.1
Other services ⁽²⁾	433.0	634.1	709.6	669.3	314.2	99.2
Income from services rendered	2,918.0	3,505.5	2,697.8	2,327.7	1,080.3	341.0

(1) Underwriting and advisory fees include technical services and commission on the placement of securities.

(2) Other services include fees and commissions in connection with credit instruments issued by Banco BTG Pactual, such as loans and letters of credit guarantees, among others.

Banco BTG Pactual's personnel expenses consist of salaries, benefits (such as health insurance) and other payments made to its personnel on its payroll.

Banco BTG Pactual's other administrative expenses include costs for occupancy and rental, communications, information services, travel, presentations, conferences, professional fees, depreciation and other general operating expenses.

Banco BTG Pactual's tax charges include several different taxes. Most of the tax charges are applicable to revenues generated in Brazil. Financial income generated by Banco BTG Pactual's Brazilian entities is subject to the PIS and the COFINS. In addition, Banco BTG Pactual's fee income generated from services rendered is subject to the payment of ISS, at rates that vary in each of the municipalities in which Banco BTG Pactual's Brazilian offices are located and, also, according to type of service rendered. In general, ISS taxes range is from 2% to 5%. The current tax rates of PIS and COFINS applicable to Banco BTG Pactual are, respectively, 0.65% and 4.0% for Brazilian entities that are deemed financial institutions, and 1.65% and 7.6% for Brazilian entities that are deemed non-financial institutions.

Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities consists of its proportional share of net income or net losses from companies in which it holds a minority or a co-controlling equity stake, including Banco Pan, Pan Seguros, Pan Corretora, BR Properties (in 2014 only), Maybrooke (which it acquired in July 2014 and sold in November 2016), Engelhart CTP (commodities division segregated in September 2016 in which Banco BTG Pactual still has an interest) and EFG (stake acquired in the context of the BSI sale to the same group in September 2016) and BTG Pactual Holding S.à.r.l., its investment vehicle through which Banco BTG

Pactual holds the Petrobras Joint Venture, including the foreign exchange effects on the investments denominated in currencies other than the *real*.

Banco BTG Pactual's other operating income consists of: (i) adjustments for inflation on judicial deposits, (ii) the reversal of certain of its provisions, including for contingencies and employees' profit-sharing, (iii) fair value of investment properties for sale from its real estate operations which are consolidated companies, (iv) gains of exchange rate variations on certain of its assets and liabilities denominated in U.S. dollars, including management and performance fees that it receives from its funds abroad and amounts receivable or payable, and (v) monetary adjustments on receivables.

Banco BTG Pactual's other operating expenses are primarily composed of: (i) the effect of exchange rate variations on certain of its assets and liabilities denominated in U.S. dollars, including management and performance fees that it receives from its funds abroad and amounts receivable or payable; (ii) goodwill amortization; (iii) interest charges in connection with deferred payment obligations from the acquisition of certain investments, primarily Banco Pan, the outstanding balance of which shall be paid by July 31, 2028; and (iv) interest expenses on adjustment of inflation on tax liabilities.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's other operating expenses decreased from R\$2,452.8 million for the nine months ended September 30, 2016, to R\$2,051.0 million for the nine months ended September 30, 2017.

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the nine months ended September 30,				Variation (%)
	2016	% of total	2017	% of total	
	(in R\$ millions)				
Management and performance fee					
from investment funds and portfolio	976.2	41.9%	366.6	33.9%	(62.0%)
Underwriting and advisory fees ⁽¹⁾	682.3	29.3%	399.5	37.0%	(41.0%)
Other services ⁽²⁾	669.3	28.8%	314.2	29.1%	(53.0%)
Income from services rendered	2,327.7	100.0%	1,080.3	100.0%	(53.6%)

(1) Underwriting and advisory fees include technical services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letters of credit, among others.

Banco BTG Pactual's income from services rendered decreased from R\$2,327.7 million for the nine months ended September 30, 2016 to R\$1,080.3 million for the nine months ended September 30, 2017, driven primarily by the sale of BSI which contributed R\$1,145.5 million in income from services rendered for the nine months ended September 30, 2016, with no corresponding income for the same period in 2017.

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds and portfolio decreased 62.4%, from R\$976.2 million for the nine months ended September 30, 2016 to R\$366.6 million for the nine months ended September 30, 2017. This decrease was mainly due to the sale of BSI. BSI contributed R\$490.4 million in revenues from management and performance fees during the nine months ended September 30, 2016, with no corresponding revenue in the same period of 2017 as a result of the sale of BSI to EFG and the resulting decrease in the return on such assets. The foregoing corresponded to an overall decrease in return on assets with a corresponding impact on performance fees. These decreases were partially offset by an increase in AUM and WUM over the course of 2017.

Underwriting and advisory fees. Banco BTG Pactual's revenues from underwriting and advisory fees decreased 41.4%, from R\$682.3 million for the nine months ended September 30, 2016 to R\$399.5 million for the nine months ended September 30, 2017 mainly due the sale of BSI. BSI contributed R\$355.2 million in revenues from management and performance fees during the nine months ended September 30, 2016, with no corresponding

revenue in the same period of 2017 as a result of the sale of BSI to EFG. Excluding the impact of BSI, underwriting and advisory fees slightly increased.

Other services. Banco BTG Pactual's revenue from other services decreased 53.1%, from R\$669.3 million for the nine months ended September 30, 2016 to R\$314.2 million for the nine months ended September 30, 2017. This decrease was mainly due to lower revenues from brokerage transactions in the nine months ended September 30, 2017 compared to the same period of 2016 as a direct effect of the sale of BSI. Excluding the impact of BSI, other service fees decreased only 1.9%, from R\$320.3 million for the nine months ended September 30, 2016 to R\$314.2 million for the nine months ended September 30, 2017.

Personnel expenses. Banco BTG Pactual's personnel expenses decreased 68.8%, from R\$1,540.6 million for the nine months ended September 30, 2016 to R\$480.6 million for the nine months ended September 30, 2017, mainly due to (i) the impact of the BSI sale and commodities spin-off, given that in the nine months ended September 30, 2016, BSI generated personnel expenses of R\$730.4 million and the commodities business generated personnel expenses of R\$242.8 million, with no corresponding costs and expenses during the same period of 2017 and (ii) the impact of Banco BTG Pactual's cost reduction program, which was fully implemented at the end of 2016. These effects were partially offset by average annual salary adjustment of 8% for employees pursuant to the terms of the annual union agreement that is renegotiated annually.

Other administrative expenses. Banco BTG Pactual's other administrative expenses increased 26.6%, from R\$1,924.1 million for the nine months ended September 30, 2016 to R\$2,436.1 million for the nine months ended September 30, 2017, mainly due to a R\$1,632.4 million expense related to Banco BTG Pactual's participation in a special tax regularization program (PERT), which expense was offset in the "Income tax and social contribution" line. For more information on the special tax regularization program (PERT), see "Business—Legal Matters—Tax Proceedings—Regularization Tax Program (PERT)." Eliminating this effect, other administrative expenses otherwise decreased mainly due the impact of the BSI sale and commodities spin-off and corresponding reduction of outsourced, consulting and financial services and depreciation and amortization costs. In the nine months ended September 30, 2016, BSI and the commodities business generated other administrative expenses of R\$890.8 million and R\$334.0 million, respectively, with no corresponding costs and expenses during the same period of 2017.

Tax charges. Banco BTG Pactual's tax charges decreased 61.6%, from R\$462.8 million for the nine months ended September 30, 2016 to R\$177.7 million for the nine months ended September 30, 2017. The decrease in tax charges was mainly due to the impact of the gains in the hedge instruments that are subject to taxation in 2016, compared to no similar impact for the nine months ended September 30, 2017 when we adopted hedge accounting. The decrease in Banco BTG Pactual's tax charges was impacted to a lesser extent by the sale of BSI and the spin-off of its commodities business, which generated tax charges of R\$24.4 million and R\$3.7 million, respectively, in the nine months ended September 30, 2016 with no corresponding costs and expenses during the same period of 2017.

Equity in the earnings of associates and jointly controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities varied from a loss of R\$702.2 million for the nine months ended September 30, 2016 to a gain of R\$41.3 million for the nine months ended September 30, 2017.

In the nine months ended September 30, 2017, Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities was mainly affected by: (i) the positive impact of equity pick-up from BTG Pactual Holding S.à r.l investment, corresponding to a gain of R\$79.0 million, reflecting strong results from the Petrobras Joint Venture and (ii) the R\$63.1 million positive impact of equity pick-up from Banco Pan, which recorded profits due to stable financial margins, cost reductions and recognition of deferred tax assets. These effects were partially offset by losses of R\$70.5 million from Engelhart CTP and the R\$78.9 million goodwill amortization of EFG.

In the nine months ended September 30, 2016, Banco BTG Pactual's equity in earnings of associates and jointly controlled entities was mainly affected by: (i) the R\$714.7 million negative impact of appreciation of the *real* against the US dollar in the BTG Pactual Holding S.à r.l investment, which was denominated in US dollars, (ii) R\$95.8 million in equity pick-up losses from Banco Pan and (iii) R\$92.8 million in equity pick-up losses from Maybrooke. These impacts were partially offset by the positive impact of the results of the Petrobras Joint Venture, corresponding to gains of R\$180.5 million.

Other operating income. Banco BTG Pactual's other operating income decreased 31.6%, from R\$942.2 million for the nine months ended September 30, 2016 to R\$644.5 million for the nine months ended September 30, 2017, due to: (i) the impact of the commodities warehousing revenues in the nine months ended September 30, 2016, (ii) a lower adjustment to inflation of judicial deposits in line with the decrease in the inflation rate, (iii) the elimination of income from our commodities business, which had generated other operating income of R\$291.8 million in the nine months ended September 30, 2016 and, to a lesser extent, (iv) the elimination of income from BSI, which had generated other operating income of R\$70.1 million in the nine months ended September 30, 2016.

Other operating expenses. Banco BTG Pactual's other operating expenses decreased 33.9%, from R\$1,093.0 million for the nine months ended September 30, 2016 to R\$722.7 million for the nine months ended September 30, 2017, mainly due to: (i) a smaller impact of exchange rate variations as a result of a more stable currency market, (ii) the elimination of expenses from our commodities business, which had generated other operating expenses of R\$329.7 million in the nine months ended September 30, 2016 and, to a lesser extent, (iii) the elimination of expenses from BSI, which had generated other operating expenses of R\$26.8 million in the nine months ended September 30, 2016.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's other operating income decreased from a gain of R\$1,302.9 million in 2015 to a loss of R\$2.554.1 million in 2016.

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the year ended December 31,				Variation (%)
	2015	% of total	2016	% of total	
	(in R\$ millions)				
Management and performance fee					
from investment funds and portfolio	1,823.0	52%	1,157.6	43%	(36%)
Underwriting and advisory fees ⁽¹⁾	1,048.5	30%	830.5	31%	(21%)
Other services ⁽²⁾	634.1	18%	709.6	26%	12%
Income from services rendered	3,505.5	100%	2,697.8	100%	(23%)

(1) Underwriting and advisory fees include technical services and commission on the placement of securities.

(2) Other services include brokerage fees and other fees and commissions in connection with credit instruments issued by us, such as loans and letters of credit, among others.

Banco BTG Pactual's income from services rendered decreased from a gain of R\$3,505.5 million in 2015 to a loss of R\$2,697.8 million in 2016, driven primarily by the following:

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds and portfolio decreased 36.5%, from R\$1,823.0 million in 2015 to R\$1,157.6 million in 2016. This decrease was mainly due to a decrease of 39.9% in AUM and AUA, excluding BSI, from R\$192.5 billion as of December 31, 2015 to R\$115.7 billion as of December 31, 2016 and to lower recognition of performance fees during 2016 mainly due to the poorer performance of the Brazilian fixed income and equities funds managed by Banco BTG Pactual's asset management teams.

Underwriting and advisory fees. Banco BTG Pactual's revenues from underwriting and advisory fees decreased 20.8%, from R\$1,048.5 million in 2015 to R\$830.5 million in 2016 mainly due to: (i) the impact of a decrease in credit recovery service revenues following the sale of Recovery in 2015 (see "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations—Loans Recovery Activities") and (ii) lower financial advisory and equity underwriting revenues, due to deteriorating market condition in Brazil that affected investment banking activities, which were partially offset by an increase in debt underwriting revenues in line with the increase in debt issuance volumes in the market.

Other services. Banco BTG Pactual's revenue from other services increased 11.9%, from R\$634.1 million in 2015 to R\$709.6 million in 2016. This increase was mainly due to higher revenues from brokerage transactions in 2016 compared to 2015.

Personnel expenses. Banco BTG Pactual's personnel expenses remained relatively stable with a 2.6% increase, from R\$1,633.9 million in 2015 to R\$1,676.6 million in 2016. The increase in personnel expenses was due to: (i) an average annual salary adjustment of 10% in 2016 for employees pursuant to the terms of the annual union agreement that is renegotiated annually; (ii) one-off severance costs related to Banco BTG Pactual's cost reduction program; and (iii) the full impact of nine months personnel costs of BSI in 2016 against only three months in 2015 (considering that the acquisition of BSI was only finalized in the fourth quarter of 2015). These impacts were offset by a decrease in the number of employees from 2,542 as of December 31, 2015 to 1,941 as of December 31, 2016, excluding the commodities division and BSI.

Other administrative expenses. Banco BTG Pactual's other administrative expenses remained relatively stable with a 2% increase, from R\$2,092.7 million in 2015 to R\$2,134.8 million in 2016. The administrative expenses increased due to higher costs of outsourced and consulting services related to the hiring of independent consultants to conduct an internal review of certain of Banco BTG Pactual's control functions. These costs were offset by a decrease in: (i) travel and lodging cost and (ii) financials services expenses.

Tax charges. Banco BTG Pactual's tax charges increased from R\$191.1 million in 2015 to R\$556.1 million in 2016. The increase in tax charges was mainly due to the impact of gains in hedge instruments subject to taxation, while the foreign exchange variation of most of the hedged asset is not subject to tax.

Equity in the earnings of associates and jointly controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities varied from a gain of R\$1,506.7 million in 2015 to loss of R\$794.0 million in 2016.

In 2016, Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities was mainly affected by: (i) the R\$797.4 million negative impact of appreciation of the *real* against the US dollar in translating the results from BTG Pactual Holding S.à r.l investment, which maintains its books and records in US dollars and (ii) the negative equity pick-up from Banco Pan, corresponding to a loss of R\$95.7 million, and Maybrooke corresponding to a loss of R\$101.3 million.

Other operating income. Banco BTG Pactual's other operating income decreased 43.4%, from R\$2,236.5 million in 2015 to R\$1,266.8 million in 2016, mainly due to gains of R\$560 million recorded in 2015 related to the sale of Recovery (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations—Loans Recovery Activities”), with no corresponding gains in 2016.

Other operating expenses. Banco BTG Pactual's other operating expenses decreased 33.1%, from R\$2,208.1 million in 2015 to R\$1,357.1 million in 2016, mainly due to (i) a decrease in expenses from our commodities division; (ii) lower operational expenses related to our energy desk following our sale of Thor Comercializadora; and (iii) lower expenses from our credit operations, reflecting a one-time expense of R\$126 million in 2015 related to Eneva.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's other operating income increased 6.3%, from R\$1,225.2 million in 2014 to R\$1,302.9 million in 2015. This increase was due to the following factors:

Income from services rendered. The table below shows the composition of Banco BTG Pactual's income from services rendered for the periods indicated:

	For the year ended December 31,				Variation (%) (in R\$ millions)
	2015	% of total	2016	% of total	
	(in R\$ millions)				
Management and performance fee					
from investment funds and portfolio	1,563.0	54%	1,823.0	52%	17%
Underwriting and advisory fees ⁽¹⁾	922.0	32%	1,048.5	30%	14%
Other services ⁽²⁾	433.0	15%	634.1	18%	46%
Income from services rendered	2,918.0	100%	3,505.5	100%	20.1%

(1) Underwriting and advisory fees include technical services and commission on the placement of securities.

(2) Other services include fees and commissions in connection with brokerage services and credit instruments issued by Banco BTG Pactual, such as loans and letters of credit, among others.

Banco BTG Pactual's income from services rendered increased 20.1%, from R\$2,918.0 million in 2014 to R\$3,505.5 million in 2015, due to the following factors:

Management and performance fee from investment funds and portfolio. Banco BTG Pactual's income from management and performance fee from investment funds increased 17% from R\$1,563.0 million in 2014 to R\$1,823.0 million in 2015 mainly due to: (i) a 10.1% increase in average AUM and AUA, excluding BSI AUM, from R\$193.8 billion in 2014 to R\$213.3 billion in 2015, (ii) the impact of three months of revenues from BSI in 2015, corresponding to R\$272.3 million and (iii) higher performance fees from our Brazil fixed income and equities funds, which was partially offset by lower performance fees mostly from global hedge and alternative investments funds.

Underwriting and advisory fees. Banco BTG Pactual's revenues from underwriting and advisory fees increased 14% from R\$922.0 million in 2014 to R\$1,048.5 million in 2015. This increase was mainly due to the four month impact of BSI advisory activity in 2015, corresponding to additional revenues of R\$205.6 million, which was partially offset by a decrease in M&A and underwriting fees from our investment banking activities in Brazil, mainly driven by the strong deceleration in Latin American markets, which further deteriorated as compared to 2014.

Other services. Banco BTG Pactual's revenue from other services increased 20.1%, from R\$433 million in 2014 to R\$634 million in 2015. This increase was mainly due to higher revenues from brokerage fees mainly due to the three months impact of BSI broker activity in 2015, corresponding to R\$188.5 million in additional revenues.

Personnel expenses. Banco BTG Pactual's personnel expenses increased 111.9% from R\$771.0 million in 2014 to R\$1,633.0 million in 2015. In 2015, personnel expenses increased due to: (i) an average annual salary adjustment of 8.5% for employees pursuant to the terms of the annual union agreement in 2015; which is renegotiated annually; (ii) an increase in the number of employees; and (iii) the incorporation of three months of BSI personnel costs, which corresponded to an increase of R\$404.3 million.

Other administrative expenses. Banco BTG Pactual's other administrative expenses increased 55.0%, from R\$1,349.9 million in 2014 to R\$2,092.7 million in 2015. This increase was mainly due to: (i) higher information technology expenses, in connection with investments in software development associated with the upgrade of Banco BTG Pactual's commodities platform and (ii) higher information technology, outsourced and consulting related expenses due to the impact of three months of administrative expenses registered from BSI, corresponding to R\$606.3 million in additional expenses.

Tax charges. Banco BTG Pactual's tax charges decreased 36.0%, from R\$298.3 million in 2014 to R\$191.0 million in 2015, which was in line with the decrease in our financial income. Such decrease in tax charges was partially offset by higher revenues from services rendered.

Equity in the earnings of associates and jointly controlled entities. Banco BTG Pactual's equity in the earnings of associates and jointly controlled entities increased from R\$528.5 million in 2014 to R\$1,506.7 million in 2015. In 2015, Banco BTG Pactual's increase in equity in the earnings of associates and jointly controlled entities was mainly attributable to the positive impact of (i) exchange rate fluctuation with respect to the results of BTG Pactual Holding S.à r.l investment (vehicle through which Banco BTG Pactual participates in the Petrobras Joint Venture) and Maybrooke, which are denominated in U.S. dollars, corresponding to a gain of R\$1,674.5 million and R\$345.0 million, respectively, and (ii) R\$378.6 million in gains from the Rede D'or investment prior to its sale.

Other operating income. Banco BTG Pactual's other operating income increased 185.1% from R\$640.3 million in 2014 to R\$2,236.5 million in 2015 mainly due to: (i) the reversal of R\$488.6 million in provisions related to Banco Sistema, (ii) positive adjustments of assets held for sale related to the sale of Recovery (see "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations—Loans Recovery Activities") corresponding to income of R\$560.0 million in 2015 and (iii) positive adjustment to inflation of judicial deposits.

Other operating expenses. Banco BTG Pactual's other operating expenses increased 358.5%, from R\$442.4 million in 2014 to R\$2,208.1 million in 2015 due to an increase in expenses related to: (i) our commodities division; (ii) exchange rate impact on our U.S. dollar-denominated expenses; and (iii) operational costs related to our energy desk; and (iv) our credit operations, as we recorded a one-time expense related to our Eneva credit operation in connection with its restructuring process.

Non-operating Income

Banco BTG Pactual's non-operating income consists of income (expenses) resulting from non-recurring items or transactions not related to its core business.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's non-operating income varied from a gain of R\$562.2 million for the nine months ended September 30, 2016 to a loss of R\$7.0 million for the nine months ended September 30, 2017.

In the nine months ended September 30, 2017, there were no relevant items accounted as non-operating income.

In the nine months ended September 30, 2016 non-operating income was mostly impacted by R\$300.9 million in gains related to the sale of BSI's remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's non-operating income decreased 65.7%, from R\$2,737.1 million in 2015 to R\$940.1 million in 2016.

In 2016 non-operating income was mostly impacted by (i) a reversal of R\$570.9 million on fair value adjustments of the receivable from the sale of Thor Comercializadora after its repurchase and (ii) R\$300.9 million in gains related to the sale of BSI's 49% equity interest in B-Source, a business process outsourcer.

In 2015, Banco BTG Pactual's non-operating income consisted mainly of gains of R\$2,705 million on the sale of its stake in Rede D'Or.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's non-operating income increased from of R\$38.3 million in 2014 to R\$2,737.1 million in 2015.

In 2014, Banco BTG Pactual's non-operating income was primarily comprised of gains on sale of a portion of its equity interest in IRB Brasil Resseguros S.A., while in 2015 BTG Pactual non-operating income was mostly affected by gains of R\$2,705 million on the sale of its stake in Rede D'Or.

Income Before Taxation and Profit Sharing

As a result of the foregoing, Banco BTG Pactual's income before taxation and profit sharing: (i) increased 35.4%, from R\$3,837.5 million in 2015 to R\$5,194.5 million in 2016 and (ii) decreased 2.8%, from R\$3,909.6 million in 2014 to R\$3,837.5 million in 2015.

Income Tax and Social Contribution

Banco BTG Pactual's income tax and social contribution are recorded under current or deferred liabilities. Banco BTG Pactual's effective tax rate was (2.19%), 82.3% and 21.4% in 2014, 2015 and 2016, respectively. See "—Critical Accounting Policies—Deferred Income Tax and Social Contribution."

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's income tax and social contribution increased 64.0% from an expense of R\$1,198.7 million for the nine months ended September 30, 2016 to a gain of R\$1,200.6 million for the nine months ended September 30, 2017. This increase was mainly due to a (i) 54.0% decrease in Banco BTG Pactual's income before tax adjusted by its profit-sharing expenses and equity in the earnings of associates and jointly controlled entities and (ii) the recognition of off-balance deferred tax assets in connection with Banco BTG Pactual's participation in a tax regularization program. These effects were partially offset by (i) an increase in interest on shareholders' equity from R\$500.0 million for the nine months ended September 30, 2016 to R\$623.8 million for the nine months ended September 30, 2017 and (ii) the spin-off of Banco BTG Pactual's commodities business which generated a gain of R\$46.4 million in income tax and social contribution for the nine months ended September 30, 2016.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's income tax and social contribution decreased from a gain of R\$3,159.6 million in 2015 to a loss of R\$1,112.9 million in 2016. This variation was mainly due to a 561.3% increase in Banco BTG Pactual's income before tax adjusted by its profit-sharing expenses and equity in the earnings of associates and jointly controlled entities. The effects were partially offset by an increase in interest on shareholders' equity from R\$914.7 million in 2015 to R\$1,390 million in 2016.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's income tax and social contribution increased from a gain of R\$86.4 million in 2014 to a gain of R\$3,159.8 million in 2015. This variation was mainly due to, (i) a 24.9% decrease in Banco BTG Pactual's income before tax adjusted by its profit-sharing expenses, equity in the earnings of associates and jointly controlled entities and foreign exchange rate variations of foreign subsidiaries and affiliates; (ii) a 52.5% increase in interest on shareholders' equity from R\$600 million in 2014 to R\$914.7 million in 2015; and (iii) a 68.6% decrease in Banco BTG Pactual's income before tax adjusted by its profit-sharing expenses and equity in the earnings of associates and jointly controlled entities.

Statutory Profit Sharing

Statutory profit sharing consists mainly of the discretionary cash bonuses that Banco BTG Pactual distributes to all of its employees, and that are calculated as a percentage of its annual revenues, net of costs and expenses incurred. Banco BTG Pactual's bonus expenses are directly correlated to, among other factors, Banco BTG Pactual's overall performance, the performance of its individual business units and its cost efficiency. Banco BTG Pactual determines bonuses in accordance with its profit-sharing program and has calculated such bonuses consistently for the nine months ended September 30, 2017 and 2016, 2015 and 2014, subject only to slight variations.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's statutory profit sharing decreased 16.2%, from R\$556.1 million for the nine months ended September 30, 2016 to R\$466.1 million for the nine months ended September 30, 2017, as a result of lower operating and non-operating income adjusted by a tax overhedge impact. The decrease was also impacted by the sale

of BSI and the spin-off of Banco BTG Pactual's commodities business which generated R\$153.1 million and R\$134.8 million in statutory profit sharing for the nine months ended September 30, 2016 with no corresponding impact for the nine months ended September 30, 2017.

See "Presentation of Financial and Other Information—Our Unaudited Adjusted Income Statement—Tax Expenses and Income Tax."

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's statutory profit sharing decreased 52.9%, from R\$1,534.4 million in 2015 to R\$721.5 million in 2016, as a result of a 52.2% lower operating and non-operating income.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's statutory profit sharing increased 74.1%, from R\$881.0 million in 2014 to R\$1,534.4 million in 2015. This increase was mainly due to a higher non-operating income and a stable operating income.

Non-Controlling Interest

Banco BTG Pactual's non-controlling interest consists mainly of the equity not attributable, directly or indirectly, to Banco BTG Pactual, from the following subsidiaries: (i) BW Properties, (ii) prior to its sale at the end of 2015, Recovery, and (iii) certain investment funds consolidated into its financial statements, including FIP Saúde, FIP Warehouse and FIDC NPL.

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

Banco BTG Pactual's gains from non-controlling interest decreased from R\$48.3 million for the nine months ended September 30, 2016 to R\$6.0 million for the nine months ended September 30, 2017. This decrease was due to smaller gains deriving from the reversal of losses from the consolidation of BW Properties and the sale of BSI, which generated R\$28.8 million in gains from non-controlling interest for the nine months ended September 30, 2016, with no corresponding impact for the nine months ended September 30, 2017.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Banco BTG Pactual's non-controlling interest decreased from a gain of R\$160.8 million in 2015 to a gain of R\$48.5 million in 2016. This decrease was due to losses from the FIA Caravelas fund in 2015, while in 2016 we liquidated the fund which was partially offset by losses from the FIP Warehouse fund in 2016.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Banco BTG Pactual's gains from non-controlling interest decreased from R\$215.9 million in 2014 to R\$160.8 million in 2015 mainly due to gains from the BW Properties in 2014 compared to losses in 2015, which was partially offset by greater losses from FIA Caravelas in 2014.

Net Income

As a result of the foregoing, Banco BTG Pactual's net income: (i) decreased 36.8%, from R\$2,728.8 million for the nine months ended September 30, 2016 to R\$1,723.5 million for the nine months ended September 30, 2017; (ii) decreased 39.4%, from R\$5,623.5 million in 2015 to R\$3,408.6 million in 2016; and (iii) increased 66.9%, from R\$3,369.2 million in 2014 to R\$5,623.5 million in 2015.

Interest on Equity

Interest on equity is a substitute dividend payment, which can be treated as a tax deductible expense. It is determined on an annual basis, subject to a 15% withholding tax, and is limited to a maximum of the TJLP as applicable to Banco BTG Pactual's shareholders equity. The amount of interest on Banco BTG Pactual's shareholders' equity is calculated to minimize income tax expenses, by substituting non-tax-deductible dividends payments for tax-deductible interest on equity payments. Although interest on equity reduces income taxes, it is not

recorded as an expense and, therefore, is not computed as part of Banco BTG Pactual's net income. Interest on equity is presented on Banco BTG Pactual's income statement below the net income line item. As a result of such substitution, Banco BTG Pactual is able to reduce its income tax and social contribution expense for the year by decreasing its taxable income.

Banco BTG Pactual's interest on equity totaled R\$623.8 million for the nine months ended September 30, 2017, R\$1,390.0 million in 2016, R\$914.7 million in 2015 and R\$600.0 million in 2014. Banco BTG Pactual's interest on equity is presented in its statement of shareholders' equity and is reflected in its income statement, both of which are included in the financial statements included in this Offering Memorandum.

Consolidated Balance Sheet of Banco BTG Pactual (Brazilian GAAP)

The following table sets forth the balance sheets of Banco BTG Pactual as of December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, and is derived from the respective consolidated financial statements prepared in accordance with Brazilian GAAP, included elsewhere in this Offering Memorandum:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Assets					
Cash at banks	1,585.3	20,490.9	674.1	572.2	837.1
Interbank investments	37,171.6	32,586.5	20,752.7	25,178.1	25,326.3
Securities and derivative financial instruments	67,738.3	77,669.0	37,486.2	36,768.2	38,267.4
Interbank transactions	1,164.0	1,921.3	2,235.3	1,697.0	1,541.4
Loans	16,203.0	55,665.1	9,513.4	9,420.9	11,937.7
Securities trading and brokerage	11,231.6	12,906.1	2,790.9	3,118.0	6,014.0
Other receivables	21,050.8	44,740.1	29,524.5	28,400.6	23,959.1
Other assets	219.5	252.6	153.5	159.0	187.0
Permanent assets	6,298.8	8,317.1	8,640.9	13,714.1	5,639.8
Total assets	162,662.9	254,548.7	111,771.6	119,028.3	113,709.8
Liabilities and Shareholders' equity					
Deposits	19,292.3	86,743.5	7,690.8	9,213.0	8,322.7
Open market funding	38,400.4	20,308.2	24,904.0	22,819.6	27,635.7
Funds from securities issued and accepted	20,783.8	19,559.2	10,335.7	11,311.7	7,964.7
Interbank transactions	3.1	7.2	5.1	6.2	5.0
Loans and onlending	6,868.6	8,097.6	3,544.8	3,886.2	4,104.9
Derivative financial instruments	30,074.8	42,327.0	9,644.9	13,632.2	13,296.8
Securities trading and brokerage	4,632.5	12,655.3	4,102.0	3,951.0	7,381.2
Subordinated debts	7,418.6	8,297.2	7,283.0	7,817.8	6,721.6
Debt instrument eligible to equity	3,497.8	5,160.4	4,305.2	4,196.6	4,104.8
Other liabilities	16,193.9	31,140.0	21,961.7	20,590.0	15,280.4
Deferred income	171.1	310.4	141.8	149.0	142.2
Non-controlling interest	592.8	229.4	125.5	140.4	140.4
Shareholders' equity	14,733.3	19,713.3	17,727.2	21,314.5	18,609.3
Total liabilities and shareholders' equity ..	162,662.9	254,548.7	111,771.6	119,028.3	113,709.8

As of September 30, 2017 versus as of December 31, 2016

As of September 30, 2017, Banco BTG Pactual's assets totaled R\$113,709.8 million, representing a 1.7% increase as compared to R\$111,771.3 million as of December 31, 2016. The increase in assets was mainly a result of: (i) an increase in our open market investments from R\$18,810.1 million as of December 31, 2016 to R\$23,832.5 million as of September 30, 2017; (ii) an increase in pending settlement accounts from R\$1,875.9 million as of December 31, 2016 to R\$4,898.2 million as of September 30, 2017, accounted for under securities trading and brokerage balance; and (iii) an increase in our long derivatives portfolio from R\$11,910.3 million as of December 31, 2016 to R\$14,597.9 million as of September 30, 2017, mostly related to deliverable forward contracts. Such increase was partially offset by a decrease in our foreign exchange portfolio assets as reflected under the line item "other

receivables”, from R\$14,695.5 million in December 31, 2016 to R\$5,543.7 million in September 30, 2017. In addition to the increase in our assets, we had an increase in our liabilities over the same period, which was mainly attributable to increases in our (i) open market funding from R\$24,904.0 million as of December 31, 2016 to R\$27,635.7 million as of September 30, 2017; (ii) securities trading and brokerage liabilities from R\$4,102.0 million as of December 31, 2016 to R\$7,381.2 million as of September 30, 2017; and (iii) derivatives portfolio from R\$9,644.9 million as December 31, 2016 to R\$13,296.8 million as of September 30, 2017, mostly related to deliverable forward contracts. Furthermore, the increase in these liabilities was partially offset by a decrease in our foreign exchange portfolio liabilities, as reflected under the line item “other liabilities”, from R\$14,341.8 million as of December 31, 2016 to R\$5,394.2 million as of September 30, 2017.

Banco BTG Pactual shareholders’ equity reached R\$18,609.3 million as of September 30, 2017, representing a 5.0% increase compared to R\$17,727.2 million as of December 31, 2016. This increase reflects an increase in net income in the amount of R\$2,728.9 million in the nine months ended September 30, 2017 and an increase in non-dilutive capital of R\$171.6 million, which was partially offset by interest on equity of R\$630 million for the nine months ended September 30, 2017 and own shares acquired of R\$396.9 million over the same period.

As of December 31, 2016 versus as of December 31, 2015

As of December 31, 2016, Banco BTG Pactual’s assets totaled R\$111,771.6 million, representing a 56.1% decrease as compared to R\$254,548.7 million as of December 31, 2015, while its liabilities totaled R\$94,044.4 million as of December 31, 2016, representing a 40.0% decrease as compared to December 31, 2015. The decrease in assets and liabilities was a result of: (i) the commodities operations spin-off and the sale of BSI, which reduced our total assets and liabilities by R\$79,469.9 million, (ii) the sale and early redemption of the credit portfolio that reduced our corporate lending portfolio by 41.5%; (iii) the sale of non-core assets, particularly in our merchant banking portfolio; and (iv) the decrease in our unsecured funding in line with the deleveraging on our assets.

Banco BTG Pactual shareholders’ equity reached R\$17,727 million as of December 31, 2016, representing a 10.1% decrease compared to R\$19,713.3 million as of December 31, 2015. This decrease reflects the commodities spin-off and the dividends and interest on equity declared in 2016. Such decrease in shareholders’ equity was partially offset by net income in the amount of R\$3,408.6 million in 2016.

As of December 31, 2015 versus as of December 31, 2014

As of December 31, 2015, Banco BTG Pactual’s assets totaled R\$254,548.7 million, representing a 56.5% increase as compared to R\$162,662.9 million as of December 31, 2014, while its liabilities totaled R\$234,835.4 million as of December 31, 2015, representing a 58.7% increase as compared to December 31, 2014.

The increase in assets and liabilities was a result of: (i) BSI’s incorporation of assets and liabilities in Banco BTG Pactual’s balance sheet in an amount of R\$93,458.6 million and of R\$88,373.8 million, respectively; and (ii) organic growth of the commodities business which expanded the derivatives leverage. These effects were partially offset by a credit portfolio reduction that took place in the year ended 2015 following a reduction in our deposits and in our unsecured funding.

Banco BTG Pactual shareholders’ equity reached R\$19,713.3 million as of December 31, 2015, representing a 33.8% increase compared to R\$14,733.3 million as of December 31, 2014. This increase reflects the 2015 net gain of R\$5,623.5 million, which was offset by dividends and interest on equity declared in 2016.

Unaudited Adjusted Income Statement

The following table sets forth Banco BTG Pactual's unaudited adjusted income statement, which was not prepared in accordance with Brazilian GAAP and materially differs from its income statement. The unaudited adjusted income statement has not been audited nor reviewed by Banco BTG Pactual's independent auditors.

(Unaudited)	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Investment banking.....	456.1	382.8	367.1	252.2	222.4
Corporate lending	675.3	983.4	876.6	699.9	627.6
Sales and trading.....	2,966.4	4,806.0	2,816.5	2,567.0	1,698.0
Asset management.....	1,378.3	1,252.2	539.6	426.4	317.1
Wealth management	393.4	1,454.5	2,407.9	2,323.2	270.3
Principal investments.....	(423.6)	548.2	(29.8)	73.2	104.0
Participations	(80.1)	6.0	(112.8)	(88.3)	(9.0)
Interest and other	1,186.5	1,647.8	1,932.1	1,521.7	926.8
Total revenues	6,552.4	11,080.9	8,797.1	7,775.4	4,157.3
Bonus.....	(836.0)	(1,598.9)	(805.8)	(703.4)	(504.3)
Retention expenses	-	-	-	-	-
Salaries and benefits	(695.0)	(1,385.7)	(1,637.4)	(1,506.3)	(397.8)
Administrative and others.....	(883.4)	(1,429.7)	(1,707.9)	(1,518.9)	(602.3)
Goodwill amortization	(160.9)	(209.1)	(243.8)	(158.6)	(226.0)
Tax charges, other than income tax	(154.5)	(430.4)	(370.7)	(351.5)	(174.9)
Total operating expenses	(2,729.9)	(5,053.8)	(4,765.6)	(4,238.6)	(1,905.3)
Income before taxes	3,822.4	6,027.1	4,031.6	3,536.7	2,252.0
Income tax and social contribution expense ..	(453.2)	(403.6)	(623.0)	(808.0)	(528.5)
Net income	3,369.2	5,623.5	3,408.6	2,728.8	1,723.5

Banco BTG Pactual's revenues from investment banking activities consist of financial advisory and underwriting fees directly based on the number and size of the transactions in which it participates.

Banco BTG Pactual's revenues from corporate lending consist of interest it charges on its loans net of (i) provisions for loan losses and (ii) the opportunity cost for funding the corporate lending inventory. Revenues from its corporate lending book comprise revenues from its broader credit portfolio considering only the loans originated by its corporate lending business. Revenues from its broader credit portfolio is composed by revenues from 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 FIDCs).

Banco BTG Pactual's revenues from sales and trading include revenues from FICC and equity sales and trading. Its FICC sales and trading revenues consist mainly of: (i) fees and commissions charged for products and services that are linked to fixed income, currency and commodities instruments and securities that Banco BTG Pactual offers to its clients; and (ii) gains or losses from its trading in such instruments and securities, which are net of the opportunity cost for funding the sales and trading inventory. Its revenues from equity sales and trading consists mainly of fees and commissions charged for products and services linked to equity securities that Banco BTG Pactual offers to its clients, as well as gains or losses from its trading in these securities, which are net of the cost for funding the sales and trading inventory.

Banco BTG Pactual's revenues from asset management consist of management and performance fees. Management fees are generally calculated as a percentage of asset value which may vary by asset class, committed capital, invested capital or total gross acquisition cost with respect to the funds and investment vehicles that it manages. Asset value is affected by investment performance, inflows and redemptions. In some cases, Banco BTG Pactual may also receive performance fees when returns exceed specified benchmarks or other performance targets; however, these performance fees are only recognized when the specific performance period ends and is no longer

subject to adjustment. Substantially all AUM are marked-to-market on a daily basis. In addition, Banco BTG Pactual receives fixed or variable fees for fund administration services to third parties.

Banco BTG Pactual's revenues from wealth management consist of a portion of management and performance fees originated by its private wealth clients and commissions with respect to brokerage and other FICC and equities products it sells to its private wealth clients, and custody fees. BSI's results following its acquisition in 2015 and prior to its sale in 2016 are considered under the wealth management business unit, as opposed to the asset management business unit.

Starting in the fourth quarter of 2016, we began to present certain of our strategic investments under the separate Participations business unit and, for purposes of comparability, we are presenting our adjusted income statement for all periods giving effect to this reclassification.

Banco BTG Pactual's revenues from Participations consist of Banco BTG Pactual's share of profits and losses of its interests in Banco Pan, Pan Seguros, Pan Corretora, Maybrooke (prior to its sale in February 2017) EFG (since November 2016 and BSI in the last quarter of 2016, prior to its sale) and Engelhart CTP (starting in October 2016, after the spin-off of most of our commodities business, see "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations"). All investments are accounted for using the equity pick-up method and the results are gross of the funding costs applied. Banco Pan generates revenues from its core commercial banking activities.

Banco BTG Pactual's revenues from principal investments are composed of revenues from the global markets, merchant banking and real estate segments.

Global Markets: Revenues from global markets consisted of the returns from its proprietary investments in a diversified range of financial instruments across multiple asset classes and geographic regions. Its global markets teams are located in São Paulo, Rio de Janeiro, New York, London and Hong Kong. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes. Financial instruments held under this category are marked-to-market and generate gains or losses on a daily basis.

Merchant Banking: Revenues from merchant banking investments consist mainly of the returns from capital gains on the sale, dividends received, or equity pick-up from its shares of the profits, of its stakes held directly or through investment vehicles in the portfolio companies in its merchant banking portfolio. Following a strategic shift in business and investment focus beginning in 2014, we sold the majority of our merchant banking and private equity investments, with our portfolio consisting now only of legacy investments in the Petrobras Joint Venture, Eneva and Infrastructure Fund II. We do not consolidate the results of any of our portfolio companies in our financial statements.

Real Estate: Revenues from real estate investments consists mainly of returns of Banco BTG Pactual's remaining investments in real estate funds, and of capital gains on the sale, and dividends received or equity pick-up from its shares of the profits, of its proprietary, non-controlling stakes held in the investment vehicles in its real estate portfolio, such as BW Properties and FIP Warehouse. Revenues from its principal investments are presented net of funding costs, including the cost of funding its net equity, and of trading losses, including losses from derivatives and from foreign exchange variation. Revenues may also be reduced by associated transaction costs, and by management and performance fees paid to asset managers and other fund service providers, including Banco BTG Pactual's own asset management unit.

Given the nature of its assets and the structure of its business, Banco BTG Pactual's merchant banking and real estate investments are generally not measured at fair value unless such assets are publicly traded. Banco BTG Pactual's results from these businesses typically reflect: (i) its share of profits or losses from its portfolio companies; (ii) dividends received from investments not subject to the equity pick-up method of accounting; (iii) allowances for valuation of properties, impairment of goodwill or for losses in investments, (iv) its internal funding costs applied to the merchant banking and real estate portfolios; and (v) gains on the divestiture of its investments.

Banco BTG Pactual's revenues recorded under "interest and other" include the interest on its capital, which is the internal opportunity cost for remunerating its net equity, typically determined based on the CDI rate. The

interest on its capital, credited to “interest and other,” is in turn deducted as a funding cost directly from the respective revenues of Banco BTG Pactual’s various business units. The units primarily affected by such deductions are those which carry inventories of financial instruments and investments, i.e., sales and trading, commercial lending, and principal investments units, as their results are presented in Banco BTG Pactual’s adjusted income statement net of the interest on its capital, as well as all other costs for obtaining external funding to finance their portfolios. Banco BTG Pactual believes that its discipline of charging internal and external funding costs directly to these business units is one of the most critical components of its risk and liquidity management disciplines, as it allows Banco BTG Pactual to more appropriately monitor and evaluate the financial performance of its various units. Interest and other revenues also include gains and losses resulting from the exchange rate variation, and the corresponding results from hedging (as applicable), of certain assets and liabilities denominated in currencies other than the *real*, including its investments in foreign subsidiaries.

For additional information on the revenues or expenses recorded in Banco BTG Pactual’s adjusted income statement, see “—Our Adjusted Income Statement.”

The following table sets forth Banco BTG Pactual’s revenue composition and evolution by business unit for the periods indicated:

Nine Months Ended September 30, 2017 versus Nine Months Ended September 30, 2016

(Unaudited)	For the nine months ended September 30,				Variation (%)
	2016	% of total	2017	% of total	
	(in R\$ millions, except percentages)				
Investment banking.....	252.2	3.2%	222.4	5.3%	(11.8%)
Corporate lending	699.9	9.0%	627.6	15.1%	(10.3%)
Sales and trading.....	2,567.0	33.0%	1,698.0	40.8%	(33.9%)
Asset management	426.4	5.5%	317.1	7.6%	(25.6%)
Wealth management	2,323.2	29.9%	270.3	6.5%	(88.4%)
Principal investments.....	73.2	0.9%	104.0	2.5%	42.0%
Participations	(88.3)	(1.1%)	(9.0)	(0.2%)	(89.8%)
Interest and other	1,521.7	19.6%	926.8	22.3%	(39.1%)
Total revenues	7,775.4	100.0%	4,157.3	100.0%	(46.5%)

Investment Banking: Revenues from investment banking decreased 11.8% for the nine months ended September 30, 2017 when compared to the same period in 2016, from R\$252.2 million to R\$222.4 million. This decrease in revenue was mainly attributable to lower revenues generated from our financial advisory services, which was partially offset by higher equity and debt capital markets revenues as a result of increased market share and stronger market activity.

The following table provides a breakdown of Banco BTG Pactual’s investment banking activities for the period indicated:

(Unaudited)	For the nine months ended September 30,			
	2016	2017	2016	2017
	(number of transactions) ⁽¹⁾		(in US\$ billions) ⁽²⁾⁽³⁾	
Financial advisory (M&A) ⁽⁴⁾ ...	17	24	15.0	17.3
Equity underwriting (ECM).....	6	20	0.3	3.5
Debt underwriting (DCM)	17	22	1.3	7.2

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

- (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 debt capital market transactions were converted to U.S. dollars using the end of quarter exchange rates.
- (3) Market data from previous periods might vary in all products, due to potential inclusion and exclusions.

- (4) M&A market data for previous periods 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).

Corporate Lending: Revenues from corporate lending decreased 10.3%, from R\$699.9 million for the nine months ended September 30, 2016 to R\$627.6 million for the same period of 2017. The decrease in revenues was driven by (i) the 7.0% decrease in the average balance of our corporate lending portfolio, from R\$22.7 billion for the nine months of 2016 to R\$21.0 billion for the same period of 2017 and (ii) higher provision for loan losses for the nine months ended September 30, 2017 when compared to the same period of 2016. Our corporate lending portfolio continues to perform well, with spreads in line with our historical average and strong credit quality.

Sales and Trading: Revenues from sales and trading decreased 33.9% from R\$2,567.0 million for the nine months ended September 30, 2016 to R\$1,698.0 million for the same period of 2017, of which R\$797.3 million was attributable to the loss of revenues following the spin-off of our commodities business, which started to be reported under the Participations business unit in the fourth quarter of 2016 (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations”). When excluding Engelhart CTP’s results for both periods, revenues would have remained stable, with higher revenues from our rates desk and decreased revenues from our energy desk for the nine months ended September 30, 2017.

Asset Management: Revenues from asset management decreased 25.6% from R\$426.4 million for the nine months ended September 30, 2016 to R\$317.1 million for the same period of 2017. The decrease is mainly attributable to (i) a one-off adjustment of R\$8.0 million in the third quarter of 2017 relating to fees incorrectly registered during 2015 and 2016 and (ii) a decrease in return on assets leading to a corresponding decrease in performance fees.

Wealth Management: Revenues from wealth management decreased 88.4% from R\$2,323.2 million for the nine months ended September 30, 2016 to R\$270.3 million for the same period of 2017. This decrease reflects the impact of BSI revenues on our results, which, during the nine months ended September 30, 2016, generated revenues for our wealth management unit of R\$2,073.5 million, with no corresponding revenue during the same period of 2017. In the fourth quarter of 2016, we started to present BSI results and our share of profits and losses in EFG (after the sale of BSI to EFG in November 2016) under the Participations business unit (see “--Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations”). Excluding BSI revenues, revenues from wealth management would have increased 8.3%, from R\$249.7 million for the nine months ended September 30, 2016 to R\$270.3 million for the same period of 2017, mainly attributable to the 15.9% increase in the average WUM (from R\$70.8 billion for the nine months ended September 30, 2016 to R\$82.0 billion for the same period of 2017).

Principal Investments: Revenues from principal investments increased 42.0% from R\$73.2 million for the nine months ended September 30, 2016 to R\$104.0 million for the same period of 2017, mainly due to the positive impact of Global Markets activities across Latin America strategies. Real estate revenues in the nine months ended September 30, 2017 reflect mainly internal funding cost allocations, while real estate revenues for the nine months ended September 30, 2016 were negatively impacted by an asset sale in the first quarter of 2016. Global markets, merchant banking and real estate results also incorporate internal funding cost allocation, dividend income and equity pick up from subsidiaries, as customary practice. These trends were partially offset by a decrease in revenues from merchant banking activities, mainly reflecting positive marked-to-market in Eneva in the nine months ended September 30, 2016, higher than in the same period of 2017.

Participations: Banco BTG Pactual’s losses of R\$88.3 million for the nine months ended September 30, 2016 under Participations reflect mainly its share of profits/losses from its stakes in Banco Pan, Pan Seguros and Pan Corretora. The loss of R\$9.0 million for the nine months ended September 30, 2017 reflects a loss of R\$37.3 million, mainly related to loss of a revenues following the sale of our stake in Maybrooke and a loss of R\$70.5 million from our share of profits/losses from our stake in Engelhart CTP due to a decline in performance, which were offset by gains of R\$77.6 million from our share of profits/losses from our stakes in Banco Pan, Pan Seguros and Pan Corretora (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations”).

Interest and Other: Revenues from interest and other decreased 39.1% from R\$1,521.7 million for the nine months ended September 30, 2016 to R\$926.8 million for the same period of 2017 mainly due to (i) a 12.1% decrease in the average shareholders' equity for the period, mainly as a result of the Engelhart CTP spin-off and (ii) a decrease in the average interest rate.

Operating Expenses: The following table sets forth the composition and evolution of Banco BTG Pactual's costs and expenses for the period indicated:

(Unaudited)	For the nine months ended September 30,				Variation (%)
	2016	% of total	2017	% of total	
	(in R\$ millions, except percentages)				
Bonus.....	(703.4)	16.6%	(504.3)	26.5%	(28.3%)
Salaries and benefits	(1,385.7)	35.5%	(397.8)	20.9%	(73.6%)
Administrative and others.....	(1,518.9)	35.8%	(602.3)	31.6%	(60.3%)
Goodwill amortization.....	(158.6)	3.7%	(226.0)	11.9%	42.5%
Tax charges, other than income tax	(351.5)	8.3%	(174.9)	9.2%	(50.2%)
Total operating expenses	(4,238.6)	100.0%	(1,905.3)	100.0%	(55.0%)

Banco BTG Pactual's total operating expenses decreased 55.0%, from R\$4,238.6 million for the nine months ended September 30, 2016 to R\$1,905.3 million for the same period of 2017. This decrease was mainly due to the following factors:

Bonus: Bonus expenses decreased 28.3%, from R\$703.4 million for the nine months ended September 30, 2016 to R\$504.3 million for the same period of 2017. Excluding the effects of BSI and Engelhart CTP in both years, bonus expenses would have increased 37.8% from R\$366.1 million for the nine months ended September 30, 2016 to R\$504.3 million for the same period of 2017, reflecting higher adjusted revenues (excluding interest and other revenues, reduced by its operating expenses). Banco BTG Pactual's bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of its adjusted revenues. The calculation methodology was consistently applied in all periods.

Salaries and Benefits: Expenses related to salaries and benefits decreased 73.6%, from R\$1,506.3 million for the nine months ended September 30, 2016 to R\$397.8 million for the same period of 2017. Excluding the effects of BSI and Engelhart CTP in both years, salaries and benefits would have decreased 16.4% from the nine months ended September 30, 2016 to the same period of 2017, mostly due to the effects of our cost reduction program.

Administrative and Others: Total administrative expenses decreased 60.3%, from R\$1,518.9 million for the nine months ended September 30, 2016 to R\$602.3 million for the same period of 2017. Excluding the effects of BSI and Engelhart CTP in both years, total administrative expenses would have increased 8.4% as a result of one-off consulting and legal fees incurred in connection with certain transactions.

Goodwill Amortization: Goodwill amortization increased 42.5%, from R\$158.6 million for the nine months ended September 30, 2016 to R\$226.0 million for the same period of 2017. Such increase was mainly in connection with the EFG / BSI transaction.

Tax charges, other than income tax: Tax charges, other than income tax decreased 50.2%, from R\$351.5 million for the nine months ended September 30, 2016 to R\$174.9 million for the same period of 2017. This decrease was mainly due to (i) lower revenues in the period, and (ii) a more favorable revenue mix in 2017, with a proportionally lower portion of revenues subject to tax charges or subject to a lower tax rate. Tax charges, other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes decreased 36.3%, from R\$3,536.7 million for the nine months ended September 30, 2016 to R\$2,252.0 million for the same period of 2017.

Income tax and social contribution expense: Income tax and social contribution consist of current and deferred taxes. Banco BTG Pactual's income tax and social contribution expenses decreased 34.6%, from R\$808.0 million for the nine months ended September 30, 2016 to R\$528.5 million for the same period of 2017, with the effective income tax and social contribution rate remaining stable.

Net Income: As a result of the foregoing, Banco BTG Pactual's net income decreased 36.8%, from R\$2,728.8 million for the nine months ended September 30, 2016 to R\$1,723.5 million for the same period of 2017, representing a net margin of 35.1% and 41.5%, respectively.

Year Ended December 31, 2016 versus Year Ended December 31, 2015

(Unaudited)	For the year ended December 31,				Variation (%)
	2015	% of total	2016	% of total	
	(in R\$ millions, except percentages)				
Investment banking.....	382.8	3.5%	367.1	4.2%	(4.1%)
Corporate lending	983.4	8.9%	876.6	10.0%	(10.9%)
Sales and trading.....	4,806.0	43.4%	2,816.5	32.0%	(41.4%)
Asset management	1,252.2	11.3%	539.6	6.1%	(56.9%)
Wealth management	1,454.5	13.1%	2,407.9	27.4%	65.5%
Principal investments.....	548.2	4.9%	(29.8)	(0.3%)	n/a
Participations	6.0	0.1%	(112.8)	(1.3%)	n/a
Interest and other	1,647.8	14.9%	1,932.1	22.0%	17.2%
Total revenues	11,080.9	100.0%	8,797.1	100.0%	(20.6%)

Investment Banking: Revenues from investment banking activities decreased 4.1% in 2016, from R\$382.8 million in 2015 to R\$367.1 million in 2016 mainly due to a decrease in financial advisory activities and, to a lesser extent, a decrease in equity underwriting activities, which were partially offset by an increase in debt capital markets activities.

The following table provides a breakdown of Banco BTG Pactual's investment banking activities for the years indicated:

(Unaudited)	For the year ended December 31,			
	2015	2016	2015	2016
	(number of transactions) ⁽¹⁾		(in US\$ billions) ⁽²⁾⁽³⁾	
Financial advisory (M&A) ⁽⁴⁾ ...	47	21	18.1	16.0
Equity underwriting (ECM).....	4	10	0.4	2.0
Debt underwriting (DCM)	24	27	3.4	2.4

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

(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 debt capital market transactions were converted to U.S. dollars using the end of quarter exchange rates.

(3) Market data from previous periods might vary in all products, due to potential inclusion and exclusions.

(4) M&A market data for previous periods may vary because: (i) deal inclusions may be delayed, (ii) canceled transactions are 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).

Corporate Lending: Revenues from corporate lending decreased 10.9%, from R\$983.4 million in 2015 to R\$876.6 million in 2016. The decrease in revenues is mainly due to the 44.4% decrease in the average balance of our corporate lending portfolio, from R\$39.3 billion in 2015 to R\$21.8 billion in 2016 following the sale of part of our credit portfolio to various counterparties, maturity of a portion of our portfolio and no further disbursements, which was partially offset by (i) a higher allowance for loan losses towards the end of 2015 to reflect the potential liquidity discount in the period, with no corresponding loss in 2016 and (ii) the sale of Recovery in 2015, which

resulted in gains of R\$560 million (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations—Loans Recovery Activities”).

Sales and Trading: Revenues from sales and trading decreased 41.4% from R\$4,806.0 million in 2015 to R\$2,816.5 million in 2016, mainly due to a decrease in revenues from our commodities business, which, after the Engelhart CTP spin-off in the fourth quarter of 2016, began to be reported under the Participations business unit (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations”). When excluding Engelhart CTP’s impact for both periods, revenues would have remained stable, with higher revenues from our equities desks in 2016, partially offset by weaker revenues from the foreign exchange desk.

Asset Management: Revenues from asset management decreased 56.9%, from R\$1,252.2 million in 2015 to R\$539.6 million in 2016. The decrease is mainly attributable to the 43.1% decrease in the average AUM/AUA (from R\$213.3 billion in 2015 to R\$121.4 billion in 2016) and to lower recognition of performance fees during 2016.

Wealth Management: Revenues from wealth management increased 65.5% from R\$1,454.5 million in 2015 to R\$2,407.9 million in 2016. This increase reflects the impact of BSI revenues from September 2015 (when BSI started being consolidated in Banco BTG Pactual’s financial statements) to September 2016, after which BSI’s results began to be reported under the Participations business unit (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations”). Excluding BSI revenues, revenues from wealth management unit would have decreased 27.3% from R\$464.2 million in 2015 to R\$337.5 million in 2016, mainly attributable to the 21.3% decrease in the average WUM (from R\$90.9 billion in 2015 to R\$71.5 billion in 2016).

Principal Investments: Revenues from principal investments varied from a gain of R\$548.2 million in 2015 to a loss of R\$29.8 million in 2016, mainly driven by the negative results from our Global Markets activities, primarily driven by our emerging market credit strategies, where we closed positions in order to fulfill the redemption schedule of certain of our investment vehicles. In merchant banking, we recorded positive contributions mainly driven by positive results due to our investments in PetroAfrica. Real estate posted negative results mainly due to losses related to BW Properties. Global markets, merchant banking and real estate results also incorporate internal funding cost allocation, which gradually reduced as we decreased our exposure, dividend income and equity pick-up from subsidiaries in the ordinary course of business.

Participations: In 2015, our R\$6.0 million in revenues from Participations reflect our share of profits/losses of our stakes in: Banco Pan, Pan Seguros and Pan Corretora. The 2016 loss of R\$112.8 million reflects (i) a loss of R\$99.4 million from our share of profits/losses from our stakes in Banco Pan, Pan Seguros and Pan Corretora; (ii) a loss of R\$5.5 million from our share of profits/losses from our stake in Ariel; and (iii) a loss of R\$8.2 million from our share of profits/losses from our stake in Engelhart CTP.

Interest and Other: Revenues from interest and other increased 17.2% from R\$1,647.8 million in 2015 to R\$1,932.1 million in 2016 mainly due to (i) the 14.0% increase in the average shareholders’ equity for the period and (ii) the increase in the average interest rate applied.

The following table sets forth the composition and evolution of Banco BTG Pactual’s costs and expenses for the years indicated:

(Unaudited)	For the year ended December31,				Variation (%)
	2015	% of total	2016	% of total	
	(in R\$ millions, except percentages)				
Bonus.....	(1,598.9)	31.6%	(805.8)	16.9%	(49.6%)
Salaries and benefits	(1,385.7)	27.4%	(1,637.4)	34.4%	18.2%
Administrative and others.....	(1,429.7)	28.3%	(1,707.9)	35.8%	19.5%
Goodwill amortization	(209.1)	4.1%	(243.8)	5.1%	16.6%
Tax charges, other than income tax	(430.4)	8.5%	(370.7)	7.8%	(13.9%)
Total operating expenses	(5,053.8)	100.0%	(4,765.6)	100.0%	(5.7%)

Banco BTG Pactual's total operating expenses decreased 5.7%, from R\$5,053.8 million in 2015 to R\$4,765.6 million in 2016. This increase was mainly due to the following factors:

Bonus: Bonus expense decreased 49.6%, from R\$1,598.9 million in 2015 to R\$805.8 million in 2016. Excluding the effects of BSI and Engelhart CTP in both years, bonus expense would have decreased reflecting lower adjusted revenues (excluding interest and other revenues, reduced by its operating expenses) in 2016 when compared to 2015. Banco BTG Pactual's bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of its adjusted revenues. The calculation methodology was consistently applied in all periods.

Salaries and Benefits: Expenses related to salaries and benefits increased 18.2%, from R\$1,385.7 million in 2015 to R\$1,637.4 million in 2016. Excluding the effects of BSI and Engelhart CTP in both years, staff costs would have decreased 13.5% from 2015 to 2016, reflecting a decrease in the total number of employees.

Administrative and Others: Total administrative expenses increased 19.5%, from R\$1,429.7 million in 2015 to R\$1,707.8 million in 2016. Excluding the effects of BSI and Engelhart CTP in both years, administrative expenses would have remained stable from 2015 to 2016.

Goodwill Amortization: Goodwill amortization increased 16.6%, from R\$209.1 million in 2015 to R\$243.8 million in 2016. Banco BTG Pactual's goodwill amortization for 2016 was derived mainly from its acquisitions of Celfin and Bolsa y Renta and its interest in EFG.

Tax charges, other than income tax: Tax charges, other than income tax decreased 13.9%, from R\$430.4 million in 2015 to R\$370.7 million in 2016. This decrease was mainly due to a smaller portion of Banco BTG Pactual's revenues from services generated in Brazil that were subject to ISS charges. Tax charges, other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes decreased 33.1%, from R\$6,027.1 million in 2015 to R\$4,031.6 million in 2016.

Income tax and social contribution expense: Income tax and social contribution consist of current and deferred taxes. Banco BTG Pactual's income tax and social contribution expenses increased 54.4%, from R\$403.6 million in 2015 to R\$623.0 million in 2016, with the effective income tax and social contribution rate increasing from 6.7% to 15.5%, respectively.

Net Income: As a result of the foregoing, Banco BTG Pactual's net income decreased 39.4%, from R\$5,623.5 million in 2015 to R\$3,408.6 million in 2016, representing a net margin of 50.7% and 38.7%, respectively.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

(Unaudited)	For the year ended December 31,				Variation (%)
	2014	% of total	2015	% of total	
	(in R\$ millions, except percentages)				
Investment banking.....	456.1	7.0%	382.8	3.5%	(16.1%)
Corporate lending	675.3	10.3%	983.4	8.9%	45.6%
Sales and trading.....	2,966.4	45.3%	4,806.0	43.4%	62.0%
Asset management.....	1,378.3	21.0%	1,252.2	11.3%	(9.2%)
Wealth management	393.4	6.0%	1,454.5	13.1%	269.8%
Principal investments.....	(423.6)	(6.5%)	548.2	4.9%	n/a
Participations	(80.1)	(1.2%)	6.0	0.1%	n/a
Interest and other	1,186.5	18.1%	1,647.8	14.9%	38.9%
Total revenues	6,552.4	100.0%	11,080.9	100.0%	69.1%

Banco BTG Pactual's total revenues, net of expenses allocation, increased 69.1%, from R\$6,552.4 million in 2014 to R\$11,080.9 million in 2015. This increase was mainly due to the following factors:

Investment Banking: Banco BTG Pactual's revenues from investment banking were lower in 2015 at R\$382.8 million, compared to R\$456.1 million in 2014, with revenue declining in all three business lines. The results were mainly impacted by the strong deceleration in Latin American markets generally. Despite the challenging economic scenario, our financial advisory activity continued to perform well.

The following table provides a breakdown of Banco BTG Pactual's investment banking activities for the years indicated:

(Unaudited)	For the year ended December 31,			
	2014	2015	2014	2015
	(number of transactions) ⁽¹⁾		(in US\$ billions) ⁽²⁾⁽³⁾	
Financial advisory (M&A) ⁽⁴⁾ ...	44	47	29.7	18.1
Equity underwriting (ECM).....	7	4	0.8	0.4
Debt underwriting (DCM)	49	24	7.2	3.4

Sources: Dealogic for ECM, M&A and international DCM and Anbima for local Brazilian DCM

- (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 periods might vary in all products, due to potential inclusion and exclusions.
- (4) M&A market data for previous periods may vary because: (i) deal inclusions may be delayed, (ii) canceled transactions are 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).

Corporate Lending: Revenues from corporate lending increased 45.6%, from R\$675.3 million in 2014 to R\$983.4 million in 2015, mainly due to (i) larger average portfolio size; (ii) higher gross spreads; (iii) strong results from credit recovery in our NPL portfolios in 2015; and (iv) the sale of Recovery in the fourth quarter of 2015, which resulted in gains of R\$560 million (see “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations—Loans Recovery Activities”). Towards the end of 2015, we had a significant decrease in the portfolio, through a series of sales and prepayment transactions, which amounted to approximately R\$10 billion in connection with the sale of our credit portfolio and certain transactions that we prepaid. The average negative spreads applied to these transactions was immaterial, and the size of the portfolio reduction achieved in such a short-period was very significant. Taking into consideration the negative economic scenario, we believe this significant reduction strongly attested to the quality of our credit portfolios and the adequacy of our marks, which since then, we have continued to apply in a prudent and conservative manner to the portfolio.

Sales and Trading: Revenues from sales and trading increased 62.0%, from R\$2,966.4 million in 2014 to R\$4,806.0 million in 2015. Revenue growth was mainly attributable to strong performance from our commodities and interest rates trading desks (which includes results from our repurchases of our own liabilities), and continuing strong performance from our FX desk. Such strong performance was offset by weak contribution from our equities desks.

Asset Management: Revenues from asset management decreased 9.2% from R\$1,378.3 million in 2014 to R\$1,252.2 million in 2015. The decrease was mainly due to lower performance fees, mostly from global hedge and alternative investments funds, which was partially offset by (i) an increase in management fees and (ii) performance fees from our Brazil fixed income and equities funds. We had a 10.1% increase in the average AUM/AUA from R\$193.8 billion in 2014 to R\$213.3 billion in 2015.

Wealth Management: Revenues from wealth management increased 269.8%, from R\$393.4 million in 2014 to R\$1,454.5 million in 2015. The increase was mainly due to higher revenues from our Latin America wealth management platform, in line with the 22.8% increase in average WUM during the period (from R\$74.0 billion in 2014 to R\$90.9 billion in 2015). Such increases were concentrated in December and were also attributable to higher

revenues from BSI due to its consolidation starting in September 2015. Excluding the results of BSI, our revenues from wealth management would have been R\$463.9 million.

Principal Investments: Revenues from principal investments increased from losses of R\$423.6 million in 2014 to gains of R\$548.2 million in 2015. In merchant banking we recorded significant gains from divestitures, partially offset by impairments in certain investments, mainly SETE Participações S.A., reflecting in part the deteriorated economic environment, especially in the Brazilian oil and gas sector, and our strategy to reduce balance sheet risk. Revenues from real estate investments were negative reflecting (i) impairments in certain investments and (ii) a negative contribution from our investment in BR Properties, following the decrease in the market price of BR Properties' publicly-traded shares during the period. Merchant banking and real estate results also included internal funding cost allocation, dividend income and equity-pick up from subsidiaries, as customary practice. Global markets recorded negative revenue due to the challenging trading scenario in 2015. VaR for that division remained at low historical levels throughout the year.

Participations: Revenues from Participations in 2014 and 2015 reflect our share of profits from our stakes in Banco Pan, Pan Seguros and Pan Corretora. We had positive revenues of R\$6.0 million in 2015, compared to losses of R\$80.1 million in 2014.

Interest and Other: Revenues from Interest and Other increased 38.9% during 2015, from R\$1,186.5 million in 2014 to R\$1,647.8 million in 2015, mainly due to (i) a 19.6% increase in our average shareholders' equity and (ii) an increase in the average interest rate of the Central Bank both partially offset by the volatility in certain hedging instruments.

The following table sets forth the composition and evolution of Banco BTG Pactual's costs and expenses for the years indicated:

(Unaudited)	For the year ended December 31,				Variation (%)
	2014	% of total	2015	% of total	
	(in R\$ millions, except percentages)				
Bonus.....	(836.0)	30.6%	(1,598.9)	31.6%	91.2%
Salaries and benefits	(695.0)	25.5%	(1,385.7)	27.4%	99.4%
Administrative and others.....	(883.4)	32.4%	(1,429.7)	28.3%	61.8%
Goodwill amortization	(160.9)	5.9%	(209.1)	4.1%	29.9%
Tax charges, other than income tax	(154.5)	5.7%	(430.4)	8.5%	178.5%
Total operating expenses	(2,729.9)	100.0%	(5,053.8)	100.0%	85.1%

Banco BTG Pactual's total operating expenses increased 85.1%, from R\$2,729.9 million in 2014 to R\$5,053.8 million in 2015. This decrease was mainly due to the following factors:

Bonus: Bonus expenses increased 91.2%, from R\$836.0 million in 2014 to R\$1,598.9 million in 2015. Excluding the effects of BSI and Engelhart CTP in both years, bonus expenses would have increased reflecting higher adjusted revenues (excluding interest and other revenues, reduced by its operating expenses) in 2015 when compared to 2014. Banco BTG Pactual's bonuses are determined in accordance with its profit-sharing program, and are calculated as a percentage of its adjusted revenues. The calculation methodology was consistently applied in all periods.

Salaries and Benefits: Expenses related to salaries and benefits increased 99.4%, from R\$695.0 million in 2014 to R\$1,385.7 million in 2015. The increase in expenses reflects the integration of BSI starting in September 2015. Excluding the effects of BSI, staff costs would have increased 42.3% from 2014 to 2015, reflecting an increase in the total number of employees.

Administrative and Others: Total administrative and others expenses increased 61.8%, from R\$883.4 million in 2014 to R\$1,429.7 million in 2015. This increase reflects the consolidation of BSI starting in September 2015. Excluding the effects of BSI, administrative and others expenses would have increased 17% from 2014 to 2015, impacted by the depreciation of the *real*.

Goodwill Amortization: Banco BTG Pactual's total goodwill amortization expenses increased 29.9%, from R\$160.9 million in 2014 to R\$209.1 million in 2015. Banco BTG Pactual's goodwill amortization for 2015 was derived mainly from its acquisitions of Celfin and Bolsa y Renta.

Tax charges, other than income tax: Tax charges, other than income tax increased 178.5%, from R\$154.5 million in 2014 to R\$430.4 million in 2015. This increase was mainly due to (i) less favorable revenues mix, with more revenues subject to tax charges in 2015 than 2014 and (ii) a reversal in the fourth quarter of 2014 of a provision for tax contingency in Brazil, arising from a tax dispute that had been initially adjudicated in our favor. Tax charges, other than income tax, consist mainly of PIS/COFINS of 4.65% and ISS, which varies from 2.0% to 5.0% depending on the services provided and locations.

Income Before Taxes: As a result of the foregoing, Banco BTG Pactual's income before taxes increased 57.7%, from R\$3,822.4 million in 2014 to R\$6,027.1 million in 2015.

Income tax and social contribution expense: Banco BTG Pactual's income tax and social contribution expenses decreased 10.9% from R\$453.2 million in 2014 to R\$403.6 million in 2015, with the effective income tax and social contribution rate decreasing from 11.9% in 2014 to 6.7% in 2015.

Net Income: As a result, Banco BTG Pactual's net income increased 66.9%, from R\$3,369.2 million in 2014 to R\$5,623.5 million in 2015, representing a net margin of 51.4% and 50.7%, respectively.

Regulatory Capital Requirements

Banco BTG Pactual maintains a level and composition of equity capital that it considers sufficient to conduct its operations under well-capitalized bank standards. Banco BTG Pactual manages its capital requirements by establishing limits to its business units on the capital it deploys in its operations. Its definition of capital generally follows the principles and guidelines established by the Basel Committee, as they have been adopted from time to time by the Central Bank. As of December 31, 2016, Banco BTG Pactual's total shareholders' equity was R\$17,727.2 million compared to R\$19,713.3 million and R\$14,733.3 million as of December 31, 2015 and 2014, respectively. As of September 30, 2017, Banco BTG Pactual's total shareholders' equity was R\$18,609.3 million.

Banco BTG Pactual's capital levels have changed significantly over the past three years. In October 2014, the perpetual notes that Banco BTG Pactual issued on September 11, 2014 were approved by the Brazilian Central Bank to qualify as Tier 1 Capital, in compliance with Basel III rules, in the amount of R\$3,172 million, reinforcing Banco BTG Pactual's Tier I and Reference Equity. In January 2015, according to the Basel III implementation schedule in Brazil, the capital deductions of Tier II debts issued prior to March 1, 2013 increased by 10% for Tier II debts that does not fully comply with the requirements of CMN Resolution No. 4,192 to be considered as regulatory capital. During 2015, there was a 35% increase in Banco BTG Pactual's Risk Weighted Assets mainly because of the acquisition of the Swiss Bank BSI. In January 2016, according to another phase of the Basel III implementation schedule in Brazil, both the capital deductions of Tier II debts issued prior to March 1, 2013 and the haircut for Tier II debts issued prior to the enactment of CMN Resolution No. 4,192 to be considered as regulatory capital increased even more. In 2016, as we reduced our exposures in many business units, Banco BTG Pactual's Market Risk Weighted Assets decreased 32% and its Credit Risk Weighted Assets decreased 52%. In October 2016, given the commodities business spin-off, both our Reference Equity and our Risk Weighted Assets decreased.

In February 2015, the Central Bank, in accordance with the Bank of International Settlements ("BIS") guidance, issued a new regulatory framework for the leverage ratio, determining that banks maintain a leverage ratio above 3%. In January 2017, the CMN and the Central Bank issued a new regulatory framework implementing a segmentation of financial institutions based on their systematic importance. Depending on the group in which the financial institutions were classified, the requirements would vary proportionally. Banco BTG Pactual was classified in the first group, meaning that it should be compliant with the full regulatory and supervisory package. See "Regulatory Overview—Capital Adequacy and Leverage."

On October 31, 2017, the Central Bank authorized the disqualification of U.S.\$390.0 million in aggregate principal of our outstanding 8.750% Perpetual Non-Cumulative Junior Subordinated Notes as regulatory capital. The disqualification of regulatory capital is part of the cash tender offer.

Regulatory Capital Adequacy

Banco BTG Pactual believes that its working capital is sufficient for its present requirements and for the 12 months following the date of this Offering Memorandum.

Banco BTG Pactual must comply with capital requirements established by the Central Bank and CMN that follow principles recommended by the Basel Committee. The Basel Capital Accord is a risk-based guideline that establishes capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

The regulations imposed by the Central Bank typically follow the guidance proposed by the Basel Committee. Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders' summit in November 2010. The Basel III Accord recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth.

In March 2013, the CMN and the Central Bank issued a regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, determined, among other things, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR. The PR is used to determine the capital adequacy of Brazilian financial institutions, and is represented by the sum of the Tier 1 capital and Tier 2 capital.

Beginning in October 2013, the Tier 1 capital and Tier 2 started to be calculated as follows under the Basel III Accord:

Tier 1 Capital. Tier 1 capital corresponds to the sum of Common Equity Tier 1 Capital (*Capital Principal* ("principal capital")) and Additional Tier 1 Capital (*Capital Complementar* ("additional capital")).

The Common Equity Tier 1 Capital generally corresponds to the sum of: (i) capital stock; (ii) reserves; (iii) unrealized gains; (iv) retained earnings; (v) creditor profit and loss account balances; (vi) deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 4,019 of September 29, 2011); and (vii) balance of positive adjustment in a market value of derivative financial instruments used for cash flow hedge, minus: (i) unrealized losses; (ii) treasury stocks eligible for Common Equity Tier 1 Capital; (iii) retained losses; (iv) debtors profit and loss account balances; (v) balance of negative adjustment at a market value of derivative financial instruments used for cash flow hedge; and (vi) prudential adjustments corresponding to: (a) goodwill paid in the acquisition of investments based on the expectation of future profits, net of deferred tax liabilities related to such assets; (b) intangible assets; (c) actuarial assets related to defined benefit pension funds, net of deferred tax liabilities related to such assets, to which the financial institution does not have full access; (d) the aggregate value of direct or indirect shareholding interests representing less than 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (e) direct or indirect shareholding interests exceeding 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (f) non-controlling shareholder interest in banking-licensed subsidiaries and foreign subsidiaries located abroad and which exercise activities equivalent to a financial institution in Brazil; (g) tax credits resulting from temporary differences that depend on the generation of future taxable profits or revenues for their realization; (h) tax credits resulting from tax losses and a negative base of social contribution on net profits and those originated from such contribution related to calculation periods ended until December 31, 1998; (i) deferred permanent assets; (j) investments greater than 10% of Common Equity Tier 1 Capital of an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial

conglomerate); (k) the amount corresponding to investment in premises, controlled financial institution abroad or non-financial entity that is part of the conglomerate, in relation to which the Central Bank does not have access to sufficient information, data and documents for purposes of consolidated global supervision; (l) the negative difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); (m) non-controlling shareholding interest in non-banking licensed institutions, locally or abroad; (n) the negative difference between the amount provisioned and the adjustments made in connection with market-value assessment of financial instruments.

Pursuant to CMN Resolution No. 4,193, of March 1, 2013, the Central Bank, beginning on January 1, 2016, was allowed to require financial institutions to present an additional rate of Common Equity Tier 1 Capital (*Capital Principal*) over their RWA. Such increase in the limits of Common Equity Tier 1 Capital (*Capital Principal*) is denominated Additional Core Capital (*Adicional de Capital Principal*) and may be imposed upon the following schedule (a) for conservation component of the Additional Core Capital: (i) 0.625% of RWA, in 2016; (ii) 1.25% of RWA, in 2017; (iii) from 1.875% of RWA, in 2018; (iv) 2.5% of RWA, from 2019 on, (b) for countercyclical component of the Additional Core Capital: (i) 0.625% of RWA, in 2016; (ii) 1.25% of RWA, in 2017; (iii) from 1.875% of RWA, in 2018; (iv) 2.5% of RWA, from 2019 on and (c) for systemic component of the Additional Core Capital: (i) 0.000% of RWA, in 2016; (ii) 0.5% of RWA, in 2017; (iii) from 1.000% of RWA, in 2018; (iv) 2.000% of RWA, from 2019 on. The imposition of Additional Core Capital (*Adicional de Capital Principal*) must be calculated on a consolidated basis. Non-compliance with Additional Core Capital limits restricts: (i) the payment of variable remuneration to officers and administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder' equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease.

Additional Tier 1 Capital. Additional Tier 1 Capital (*Capital Complementar*) corresponds to the sum of all amounts under instruments that adhere to all the following conditions: (i) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (ii) being paid in cash; (iii) having a perpetual nature; (iv) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital, in case of dissolution of the issuing institution; (v) providing that the payment of their compensation shall only be made with funds resulting from profits and profits reserves subject to distribution in the last period of determination; (vi) providing for the suspension of payment of compensation that exceeds the funds available for this purpose; (vii) providing for the suspension of payment of compensation on a *pro rata* basis to the restriction imposed by the Central Bank to the distribution of dividends or other results regarding stocks, quotas or *quotas-partes*, eligible for Common Equity Tier 1 Capital; (viii) providing for the suspension of payment of compensation in case the issuing institution presents insufficient compliance with the Additional Core Capital (*“Adicional de Capital Principal”*) (in this case the suspension will be on a *pro rata* basis) or the payment results in noncompliance with the minimum requirements of Common Equity Tier 1 Capital, Tier 1 Capital and PR; (ix) having their redemption or repurchase subject to Central Bank's approval; (x) being only redeemable upon the issuer's initiative; (xi) not being subject of any guarantee, insurance or other similar mechanism; (xii) not presenting any provision that directly or indirectly reduces the amount to be authorized to make up the Additional Tier 1 Capital; (xiii) not providing for changes to the terms or payment conditions agreed; (xiv) not having their purchase directly or indirectly financed by the issuing institution; (xv) providing for a write-off event (a) in case the Common Equity Tier 1 Capital of the issuer becomes lower than 5.125% of its RWA; (b) upon the occurrence of the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, with an executed commitment of contribution to the issuing institution; (c) upon the imposition of intervention or RAET by the Central Bank on the financial institution; or (d) upon Central Bank's decision; (xvi) providing that the occurrence of the situations in items (v), (vi), (vii), (viii), (xv) and (xviii) shall not be deemed as an event of default; (xvii) providing that compensation unpaid due to the provision of item (v) and the compensation related to the suspension period described in items (vi), (vii) and (viii) shall be deemed extinguished; and (xviii) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital and RWA. From this amount, the following must be excluded: (i) fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); and (ii) treasury stocks that would be eligible for Additional Tier 1 Capital.

Tier 2 Capital. Tier 2 capital corresponds to the sum of the amounts corresponding to: (i) the positive difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); and (ii) instruments that attend all the following conditions to be part of Tier 2 Capital: (a) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (b) being paid in cash; (c) for a minimum period of five years between their date of issuance and maturity date, and may not provide for any repayment before such period; (d) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital and the Additional Tier 1 Capital, in case of dissolution of the issuing institution; (e) having their early redemption or repurchase subject to Central Bank's approval; (f) being only redeemable upon the issuer's initiative; (g) not being subject of any guarantee, insurance or other similar mechanism; (h) not providing for changes to the terms or payment conditions agreed; (i) not having their purchase directly or indirectly financed by the issuing institution; (j) providing for a write-off event (1) in case the Common Equity Tier 1 Capital of the issuer becomes lower than 4.5% of its RWA; (2) upon the occurrence of the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, with an executed commitment of contribution to the issuing institution; (3) upon the imposition of intervention or RAET by the Central Bank on the financial institution; or (4) upon Central Bank's decision; (k) providing that the occurrence of the situations in items (j) and (l) shall not be deemed as an event of default; (l) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital and RWA. From this amount, the following must be excluded: (i) fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); and (ii) treasury stocks that would be eligible for Tier 2 Capital.

In addition to the changes above relating to the calculation of the PR, this set of rules introduced the concept of quasi-financial institutions (*instituições assemelhadas*) and required consolidation of such quasi-financial institutions into the financial statements of financial institutions.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2019 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and adversely affect its ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be compelled to limit its credit operations, dispose its assets and/or take other measures that may adversely affect.

Please see the section entitled "Regulatory Overview" for more information on Regulatory Capital Adequacy.

Banco BTG Pactual's Consolidated Capital Ratios

On February 23, 2017, CMN enacted Resolution No. 4,557, which unifies and expands the Brazilian regulation on risk and capital management for Brazilian financial institutions and other institutions authorized to operate by the Central Bank. The new rule is also an effort to incorporate into Brazilian regulation new recommendations from the Basel Committee on Banking Supervision. The rule provides that risk management must be conducted through an integrated effort by the relevant entity (i.e., not only must risks be analyzed on an individual basis, but financial institutions and other institutions authorized to operate by the Central Bank must also control and mitigate the adverse effects caused by the interaction between different risks). It also expands the rules and requirements on risk management governance and the competence and duties of the risk management officer.

The rule sets out different structures for risk and capital management which are applicable for different risk profiles, based on the risks profiles set out in the applicable regulation. This means a financial institution of smaller systemic importance can have a simplified structure of management, while institutions of larger complexity have to follow stricter protocols and implement the new rules until a closer deadline (180 days).

The following table sets forth additional information on Banco BTG Pactual's capital ratios as of September 30, 2017 and December 31, 2014, 2015 and 2016 according to CMN Resolution No. 4,192:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions, except percentages)				
Reference Shareholders' Equity (a)	21,282.4	26,326.1	19,637.4	26,295.9	19,022.6
Tier 1 capital.....	16,736.9	22,348.8	16,216.3	22,875.1	16,389.6
Common Equity Tier 1 Capital	14,612.0	19,713.3	11,924.5	18,691.6	12,306.9
Additional Tier 1 Capital.....	3,497.8	5,142.7	4,291.8	4,183.5	4,082.8
Deductions.....	1,372.9	2,507.2	-	-	-
Tier 2 capital.....	4,545.4	3,977.3	3,421.2	3,420.8	2,632.9
Total Risk Weighted Assets (b)	121,956.9	170,388.2	91,156.4	160,804.3	110,100.0
Credit risk	69,736.3	125,148.5	55,813.6	98,304.6	54,329.8
Operational risk	5,862.1	758.5	3,386.0	3,386.0	4,615.9
Market risk	46,358.5	44,481.1	31,956.9	59,113.8	51,154.4
Basel ratio - (a/b)	17.5%	15.5%	21.5%	16.4%	17.3%
Tier 1 capital.....	13.7%	13.1%	17.8%	14.2%	14.9%
Tier 2 capital.....	3.7%	2.3%	3.8%	2.1%	2.4%

Subsidiary Capital Requirements

Banco BTG Pactual is subject to banking supervision and regulation on a global consolidated basis in Brazil under the Central Bank framework. Regulatory capital requirements are determined on a consolidated basis, including assets and liabilities of consolidated subsidiaries, even if such subsidiary is subject to the banking supervision of other regulators on an individual basis. In the case of Banco Pan, due to the fact that Banco BTG Pactual exercises joint control ownership, together with CaixaPar, the Central Bank determined that capital requirements and banking supervision will be exercised on a stand-alone basis. Banco Pan is recognized as an independent bank conglomerate by the Central Bank, and its capital requirements must be satisfied with Banco Pan's own capital. As mentioned above, Banco BTG Pactual purchased a co-controlling interest in Banco Pan. The effect of the transaction on the calculation of Banco BTG Pactual's regulatory capital is discussed above. See "Business—Significant Recent Developments."

Through Banco BTG Pactual's subsidiaries in the United States, it is also subject to extensive regulation under U.S. law and regulations, including oversight by FINRA and the SEC. Through BTG Pactual Europe LLP, one of Banco BTG Pactual's operating entities authorized by the FCA to provide investment services in the United Kingdom, Banco BTG Pactual is additionally subject to the supervision of the FCA and related regulatory requirements in the United Kingdom. Through the Luxembourg Branch and its subsidiary, Banco BTG Pactual is subject to Luxembourg regulatory law and the supervision of the CSSF. See "Risk Factors—Risks Relating to the Regulatory Environment—The enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act may subject our investment adviser and broker-dealer in the U.S. to substantial additional regulations, and we cannot predict the effect of such regulation on our business," "Regulatory Overview—Regulation in the United States," "Regulatory Overview—Regulation in the United Kingdom" and "Regulatory Overview—Regulation in Luxembourg." Banco BTG Pactual's Chilean, Colombian, Peruvian, Mexican and Luxembourg operations are subject to regulatory capital requirements determined by the laws of such countries and their regulators, respectively, calculated based on their own capital considered individually.

Liquidity

Liquidity is essential to Banco BTG Pactual's business. Liquidity management is the set of policies and procedures Banco BTG Pactual put in place to ensure that it always has access to sufficient cash to meet its obligations, under normal circumstances and under severe market stress.

The most important principle of Banco BTG Pactual's liquidity management framework is the maintenance of a strong cash position – its liquidity buffer – at all times. Banco BTG Pactual's liquidity buffer is calculated in

order to fulfill several potential scenarios of cash outflows, including expected and unexpected liquidity needs. Therefore, it established a minimum liquidity value with the objective of monitoring and anticipating a potential liquidity deterioration, as to survive a combined idiosyncratic and systemic stress test and ensure a Liquidity Coverage Ratio (LCR) above the regulatory limit. The minimum survival horizon to the stress test, as well as the minimum horizon to ensure a LCR above the regulatory limit are parameters of the risk appetite of the BTG Pactual liquidity risk management structure and are reviewed periodically.

Banco BTG Pactual's balance sheet is in a large part composed of very liquid financial instruments, and it obtains funding from a diversified range of unsecured instruments from a broad range of sources. Also, Banco BTG Pactual maintains a contingency plan to manage its liquidity under severely adverse market conditions based on the imposition of constraints on its lending operations and on the reduction of its exposure to illiquid assets and the sell-off of liquid instruments.

In September 2014, Banco BTG Pactual issued US\$1.3 billion of perpetual non-cumulative junior subordinated notes with a fixed coupon of 8.750% per annum, callable on September 2019 or thereafter semiannually, which qualifies as Additional Tier 1 Capital (*Capital Complementar*).

Under the terms of the notes eligible as regulatory capital, Banco BTG Pactual may, among other things, defer payment of any amounts due to noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

In the aftermath of challenges following the arrest of Mr. Esteves in November 2015, Banco BTG Pactual's management adopted a series of actions to maintain a conservative liquidity position and preserve capital. As part of these efforts, on December 4, 2015, Banco BTG Pactual executed a Memorandum of Understanding with Fundo Garantidor de Créditos – FGC (“FGC”) pursuant to which Banco BTG Pactual received a financial assistance line up to the amount of R\$6.0 billion, guaranteed by part of Banco BTG Pactual's loan portfolio and personally guaranteed by its Controlling Partners at a rate of Brazilian interest rate (SELIC) + 2% per annum, with maturity in December 2017. As of December 31, 2015, a total of R\$5.0 billion had been drawn under this credit line. In October 2016, Banco BTG Pactual announced that it had paid off the outstanding balance of the financial assistance loan obtained from FGC with the primary impact being the overall reduction in Banco BTG Pactual's unsecured funding base.

Also in December 2015, Banco BTG Pactual entered into the *Depósitos a Prazo com Garantia Especial* (“DPGE”) program. This is a fixed income financial product, with no partial or anticipated maturity, that offers investors extended guarantees, in value terms, provided by the FGC in the case of an intervention, liquidation or insolvency recognized by the competent party of the financial institution. The program limit was approximately R\$2.5 billion, available until December 30, 2015, which is essentially related to the value of shareholders' equity and outstanding deposits. As of December 31, 2015, BTG Pactual had issued approximately R\$1.7 billion under the DPGE program.

In addition, from November 25, 2015 to December 31, 2016, Banco BTG sold assets and stakes in investments in the total amount of approximately R\$6 billion. Other measures to improve our liquidity following the challenges emanating from the allegations against Mr. Esteves include divestments in certain assets mentioned above (see “Business—Legal Matters”), as well as selling positions from our credit portfolio, which are described elsewhere in this offering memorandum. In 2016 and 2017, there were no material liquidity events other than renewal of certain lines of credit and funding.

Banco BTG Pactual intends to continue its funding activities by accessing funding from diversified sources in Brazil and abroad and issuing debt instruments and deposits in different markets, currencies and tenors. Banco BTG Pactual is subject to liquidity regulatory requirements imposed by the Central Bank, which include the monitoring of its liquidity position, liquidity stress scenarios and liquidity contingency plan.

In the process of aligning domestic regulation to the new Basel recommendations, starting in October 2015, Brazilian banks with total assets above R\$100 billion are required to report their liquidity coverage ratio (“LCR”) to the Central Bank on a monthly basis. In order to comply with LCR regulation, financial institutions must maintain enough high-quality liquid assets to withstand cash outflows for 30 days, in a stress scenario defined by the local banking supervisor. In accordance with the schedule set forth by Resolution 4,401, from February 27, 2015, the

minimum required LCR went into effect at 60% and rose to 70% in January 2016. Every January until 2019, there will be 10% yearly increase in the LCR, plateauing at a 100%.

The LCR corresponds to the ratio between the high quality liquid assets (“HQLA”) and the total net outflows of cash in 30 days (Net Outflows), both calculated according to the Brazilian Central Bank standard stress test scenario. According to CMN Resolution No. 4,401 and Central Bank Circular No. 3,749, 3,761 and 3,762, BTG Pactual was eligible for the LCR calculation and reporting starting from October 2015.

The LCR standard stress test scenario considers a combined idiosyncratic and market-wide shock that would result to the bank in a period of 30 days, among other:

- a partial loss of unsecured wholesale funding capacity;
- a partial loss of short-term financing;
- additional contractual outflows that would arise from a downgrade in the bank’s public credit rating by up to and including three notches, including collateral posting requirements;
- increases in market volatility that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity shortfalls;
- unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to its clients; and
- the potential need for the bank to buy back debt or honor non-contractual obligations in the interest of mitigating reputational risk.

BTG Pactual holds stock in HQLA in order to have a ratio between this stock and the total net outflows and be in compliance with the Central Bank limits.

Our Indebtedness

The following table shows the composition of Banco BTG Pactual’s funding as of the dates indicated:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Deposits	19,292.3	86,743.5	7,690.8	9,213.0	8,322.7
Demand deposits	168.3	64,196.9	128.6	89.4	290.5
Interbank deposits	769.8	1,475.4	226.1	216.6	227.3
Time deposits	18,354.2	21,071.2	7,336.1	8,907.1	7,805.0
Open market funding	38,400.4	20,308.2	24,904.0	22,819.6	27,635.7
Funds from securities issued and accepted	20,783.8	19,559.2	10,335.7	11,311.7	7,964.7
Interbank transactions	3.1	7.2	5.1	6.2	5.0
Loans and onlending	6,868.6	8,097.6	3,544.8	3,886.3	4,104.9
Subordinated debt	7,418.6	8,297.2	7,283.0	7,817.8	6,721.6
Debt instrument eligible to equity	3,497.8	5,160.4	4,305.2	4,196.6	4,104.8
Total	96,264.5	148,173.4	58,068.6	59,251.3	58,859.4

Demand Deposits

Banco BTG Pactual does not provide commercial banking services to its clients other than through its Banco Pan business unit. The cash balances maintained by its clients in demand deposits are seasonal, and typically result from the settlement of securities in connection with Banco BTG Pactual’s sales and trading businesses. The volume of Banco BTG Pactual’s demand deposits tend to vary, and are generally linked to the volume of transactions it settles for its clients. They can also be impacted by regulatory measures, or by certain taxes imposed

on financial transactions, such as the IOF tax, that can cause Banco BTG Pactual's clients to delay certain cash transferences abroad. Demand deposits also include balances of money market deposits maintained by its clients with Banco BTG Pactual's Cayman Islands Branch.

As of September 30, 2017 and December 31, 2016, the balance of demand deposits from local and international clients totaled R\$290.5 million and R\$128.6 million, respectively. As of December 31, 2015, the balance of demand deposits totaled R\$64,196.9 million, mainly due to demand deposits provided by BSI, which was acquired in 2015 and sold in 2016, and consequently, was consolidated into Banco BTG Pactual's financial statements in 2015 and deconsolidated in 2016 (See "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations"). As of December 31, 2014, the balance of its demand deposits from local and international clients totaled R\$168.3 million.

Interbank Deposits

Banco BTG Pactual receives interbank loans from Brazilian financial institutions in open market operations. The balance of Banco BTG Pactual's interbank deposits was R\$227.3 million as of September 30, 2017, R\$226.1 million as of December 31, 2016, R\$1,475.4 million as of December 31, 2015 and R\$769.8 million as of December 31, 2014. As of December 31, 2015, the balance of interbank deposits included interbank deposits from BSI, which was consolidated into Banco BTG Pactual in 2015 and deconsolidated in 2016 (see "—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations").

Time Deposits

A significant portion of Banco BTG Pactual's funding is in the form of time deposits. Usually, Banco BTG Pactual's depositors are Brazilian companies, pension funds and HNWIs. Most of its CDBs bear an interest rate equivalent to the CDI plus a spread. Banco BTG Pactual's balance of time deposits was R\$18,354.2 million as of December 31, 2014, R\$21,071.2 million as of December 31, 2015, R\$7,336.1 million as of December 31, 2016 and R\$7,805.0 million as of September 30, 2017. The amount of time deposits issued by Banco BTG Pactual reduced significantly as a result of our strategy to deleverage our balance sheet in connection with the events of November 25, 2015 (See "Business—Legal Matters"). As of December 31, 2015, the balance of time deposits included interbank deposits from BSI, which was consolidated in Banco BTG Pactual in 2015 and deconsolidated in 2016.

The table below shows the composition of Banco BTG Pactual's time deposits issued by maturity as of the dates indicated:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Up to 90 days.....	12,396.8	11,312.0	3,174.3	3,650.4	5,154.3
From 91 to 365 days	4,464.1	5,078.1	4,054.5	2,261.4	1,653.4
From 1 to 3 years	1,393.4	3,824.1	31.0	2,325.9	229.6
Over 3 years.....	99.9	857.0	76.4	669.4	767.7
Total	18,354.2	21,071.2	7,336.1	8,907.1	7,805.0

The table below shows the concentration of Banco BTG Pactual's time deposits issued by depositors by economic group as of the dates indicated:

(Unaudited)	As of December 31,		As of September 30,
	2015	2016	2017
	(in R\$ millions, except Total Number of Depositors)		
Largest depositor	5,013.9	631.3	682.0
10 largest depositors	8,676.5	3,104.0	3,086.2
20 largest depositors	10,612.5	4,002.0	3,995.2
50 largest depositors	12,181.7	4,879.7	5,083.1
100 largest depositors	12,993.9	5,275.8	5,738.9
Total number depositors	418.0	361.0	1,589.0

Open market funding

Banco BTG Pactual funds a significant portion of its portfolio through secured funding arrangements, such as repurchase agreements. Banco BTG Pactual maintains relationships with several market counterparties, such as financial institutions, prime brokers, institutional investors, asset managers, clearing agents, depositaries, central banks or other monetary authorities, through which it may obtain secured funding by placing significant portions of its portfolio of securities, especially government bonds, as collateral. Banco BTG Pactual's secured funding transactions are an important component of its overall funding strategy in the context of liquidity management. The total balance of repurchase transactions vary in line with changes in the amount of Banco BTG Pactual's total assets, and especially of its securities portfolio.

Banco BTG Pactual also maintains a balance of repurchase agreements in connection with reverse repurchase transactions (i.e., Banco BTG Pactual's match portfolio), through which it allows clients, such as its investment funds, to access money markets for overnight or term investments collateralized by prime, highly liquid government securities. As of September 30, 2017, December 31, 2016, 2015 and 2014 Banco BTG Pactual's own portfolio of repurchase transactions totaled R\$7,596.9 million, R\$7,793.1 million, R\$8,432.6 million and R\$9,015.8 million, respectively. Our open market funding decreased in December 2015 and remained at lower levels during 2016 and 2017 as a result of our strategy to deleverage our balance sheet in connection with the events of November 25, 2016. See "Business—Legal Matters."

Funds from securities issued and accepted

Banco BTG Pactual's balance from securities issued and accepted was R\$20,783.8 million as of December 31, 2014, R\$19,559.2 million as of December 31, 2015, R\$10,335.7 million as of December 31, 2016 and R\$7,964.7 million as of September 30, 2017. The decrease in securities issued and accepted in December 31, 2016 compared to December 31, 2015 was mainly due to: (i) the maturity of US\$500 million of senior notes issued by BTG Pactual Cayman Islands Branch in July 8, 2016; (ii) the maturity of CNY1.0 billion in senior notes issued by Banco BTG Pactual Cayman Islands Branch under this program in March 2016; and (iii) our strategy to deleverage our balance sheet following allegations against Andre Esteves. See "Business—Legal Matters."

Banco BTG Pactual has notes outstanding in both in Brazil and abroad, as follows:

- In December 2011, Banco BTG Pactual issued a series of notes in the total principal amount of R\$600 million. The notes will be amortized on a semi-annual basis from July 2017 to December 2021;
- In January 2013, Banco BTG Pactual issued, through its Cayman Islands Branch, US\$1.0 billion in senior notes under the Programme at a fixed coupon of 4.00% and maturing in January 2020; and
- In September 2014, Banco BTG Pactual issued, through its Luxembourg Branch, US\$1.3 billion in perpetual non-cumulative junior subordinated notes at a fixed coupon of 8.75%, priced at 100.0%, and callable in 5 years. On November 1, 2017, we commenced a cash tender offer to repurchase up to US\$390.0 million in aggregate principal amount of these notes that was concluded on December 6, 2017 pursuant to which we successfully purchased notes up to the maximum tender amount of U.S.\$390.0 million. For more information, please see "Summary—Recent Developments."

The table below shows the composition of Banco BTG Pactual's funds from securities issued and accepted by type as of the dates indicated:

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Financial bills	10,195.8	11,349.9	6,865.3	7,695.9	4,282.1
Mortgage bonds/letters of credit for					
agribusiness	3,105.6	1,588.8	964.7	978.0	1,454.2
Medium term notes and credit-linked notes...	7,450.5	6,602.5	2,494.1	2,628.6	2,145.1
Certificates of structured transactions - COE	31.8	18.1	11.7	9.2	61.7
Debentures	-	-	-	-	21.6

	As of December 31,			As of September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions)			(in R\$ millions)	
Total	20,783.8	19,559.2	10,335.7	11,311.7	7,964.7

As of September 30, 2017, securities in Brazil were indexed to interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a. On September 30, 2017, securities abroad had rates between 1.2% p.a. and 8.1% p.a.

As of December 31, 2016, securities in Brazil were indexed to interest referenced rates (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a. On December 31, 2016, securities abroad had rates between 1.45% p.a. and 8.0% p.a.

As of December 31, 2015, securities in Brazil were indexed to interest referenced rates (CDI) between 86% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a. On December 31, 2015, securities abroad had rates between 1.2% p.a. and 7% p.a.

As at December 31, 2014, securities in Brazil were indexed to interest referenced rates (CDI) between 50% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a. On December 31, 2014, securities abroad had rates between 0.75% p.a. and 7% p.a.

Loans and onlendings

The funding from loans and onlending consists of funding facilities, such as revolving credit facilities, trade finance and BNDES lines of credit, among others. As of September 30, 2017, the outstanding balance of these facilities was R\$4,104.9 million compared to R\$3,544.8 million as of December 31, 2016, R\$8,097.6 million as of December 31, 2015 and R\$6,688.6 million as of December 31, 2014. The funding from loans and onlending increased in December 31, 2015 compared to December 31, 2014 mainly as a result of the commodities business growth during 2015. The decrease in December 31, 2016 when compared to December 31, 2015 was mainly due to the commodities business spin-off in October 2016. See “—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations.”

Subordinated debt

Banco BTG Pactual’s subordinated debt was R\$10,916.4 million as of December 31, 2014, R\$13,457.6 million as of December 31, 2015, R\$11,588.2 million as of December 31, 2016 and R\$10,826.4 million as of September 30, 2017. Under the terms of the subordinated notes, Banco BTG Pactual may, among other things, defer payment of any amounts due to noteholders if it is not in compliance with, or such payment would cause it to not be in compliance with, operational limits applicable to Brazilian banks then in effect.

Debt eligible to equity

In September 2014, Banco BTG Pactual completed a milestone with the issuance of US\$1.3 billion of perpetual non-cumulative junior subordinated notes, through its newly-opened Luxembourg Branch, at a fixed coupon of 8.750% per annum, qualifying as additional Tier 1 Capital. This was the first issuance of perpetual notes from a private Brazilian bank following the new regulatory capital rules (Basel III). The interest is payable semi-annually and is unsecured and subordinated. The notes are callable on September 2019 or thereafter semiannually. The issuance of the notes has enhanced Banco BTG Pactual’s capital structure in connection with the acquisition of BSI in 2015 and for general corporate purposes. On November 1, 2017, we commenced a cash tender offer to repurchase up to U.S.\$390.0 million in aggregate principal amount of these notes that was concluded on December 6, 2017. Following the closing of the tender offer, U.S.\$910 million in aggregate principal amount of our 8.750% Perpetual Non-Cumulative Junior Subordinated Notes remained available for trading on the Luxembourg Stock Exchange’s Euro MTF market, of which U.S.\$678.1 million are held by our affiliates. For more information, please see “Summary—Recent Developments.”

Dividends and other distributions

As of June 30, 2014, Banco BTG Pactual had recorded R\$301.8 million and R\$146.6 million as interest on shareholders' equity and dividends, respectively. These amounts were approved at the special shareholders' meeting held on August 5, 2014. These amounts were paid on August 2014.

As of December 31, 2014, Banco BTG Pactual had recorded R\$298.2 million as interest on shareholders' equity, which was approved at the special shareholders' meeting held on December 30, 2014. In addition, Banco BTG Pactual approved to pay R\$106.1 million as dividends over results for the year 2014 at the special shareholders' meeting held on February 25, 2015. These amounts were paid on March 10, 2015.

As of June 30, 2015 Banco BTG Pactual had recorded R\$422.0 million as interest on shareholders' equity. This amount was approved at the Board of Directors' Meeting held on June 30, 2015. The payment of the interests occurred in August 2015.

As of August 5, 2015 Banco BTG Pactual had recorded R\$47.3 million as dividends. This amount was approved in the special shareholders' meeting held on April 28, 2016. This amount was paid in August 2015.

As of December 28, 2015, Banco BTG Pactual had recorded R\$492.8 million as interest on shareholders' equity, which was approved at the Board of Directors' meeting held on December 28, 2015. Due to the events of November 25, 2015, the payment of interests was approved and occurred on June 2016.

As of June 30, 2016, Banco BTG Pactual had recorded R\$500.0 million as interest on shareholders' equity. This amount was approved at the Board of Directors' Meeting held on June 30, 2016. The payment of the interests occurred on November, 2016.

As of December 29, 2016, Banco BTG Pactual had recorded R\$890 million as interest on shareholders' equity, which was approved at the special shareholders' meeting held on April 28, 2017. This amount was paid on January 2017.

Use of Funds

Banco BTG Pactual mainly uses its funds to carry out the activities of its sales and trading, corporate lending and principal investments business units, which provide, among other things, structured and other loans and take proprietary positions through market-making in, and trading of, fixed income and equity products, currencies, commodities, and swaps and other derivatives. The majority of its portfolio is comprised of highly liquid instruments. See "—Liquidity—Open market funding" above.

The following table presents Banco BTG Pactual's asset allocation in its consolidated balance sheet as of the dates indicated:

	As of December 31,						As of September 30,	
	2014	% of total assets	2015 (R\$ millions)	% of total assets	2016	% of total assets	2017 (R\$ millions)	% of total assets
Assets								
Cash at banks	1,585	1.0%	20,491	8.0%	674	0.6%	837	0.7%
Interbank investments	37,172	22.9%	32,587	12.8%	20,753	18.6%	25,326	22.3%
Securities and derivative financial instruments	67,738	41.6%	77,669	30.5%	37,486	33.5%	38,267	33.7%
Interbank transactions	1,164	0.7%	1,921	0.8%	2,235	2.0%	1,541	1.4%
Loans	16,203	10.0%	55,665	21.9%	9,513	8.5%	11,938	10.5%
Securities trading and brokerage	11,232	6.9%	12,906	5.1%	2,791	2.5%	6,014	5.3%
Other receivables	21,051	12.9%	44,740	17.6%	29,525	26.4%	23,959	21.1%
Other assets	220	0.1%	253	0.1%	154	0.1%	187	0.2%
Permanent assets	6,299	3.9%	8,317	3.3%	8,641	7.7%	5,640	5.0%
Total assets	162,663	100.0%	254,549	100.0%	111,772	100.0%	113,710	100.0%

Mandatory Deposits with the Central Bank

Mandatory deposit requirements are an integral part of the monetary policy framework of the Central Bank which requires financial institutions to deposit a certain amount of cash, or place Brazilian government bonds as collateral, in proportion the balances of demand or term deposits obtained from clients and counterparties.

Mandatory deposit requirements are generally calculated based on the moving averages of demand or time deposits. Banco BTG Pactual complies with the requirements above by holding cash deposits which amounted to an average of R\$1,566.8 million for the nine months ended September 30, 2017.

Contractual Obligations

The tables below present the maturity and balances of Banco BTG Pactual's significant contractual financial obligations as of September 30, 2017:

(Unaudited)	Up to 90 days	90 to 365 days	As of September 30,		Over 5 years	Total
			1 to 3 years	3 to 5 years		
			(R\$ thousands)			
Deposit	5,542,689	1,750,191	262,197	767,659	-	8,322,736
Open market funding	24,736,942	1,002,418	1,387,566	15,577	493,164	27,635,667
Funds from securities issued and accepted ...	715,362	1,967,716	3,542,306	1,021,049	718,239	7,964,672
Loans and onlending	1,002,052	267,904	351,806	161,359	2,321,817	4,104,938
Subordinated debts and subordinated debts eligible to equity	636,631	636,631	2,821,306	2,656,429	4,075,440	10,826,437
Total	32,633,676	5,624,860	8,365,181	4,622,073	7,608,660	58,854,450

In addition, the table below presents the maturity and balance of Banco BTG Pactual's additional contractual obligations with respect to derivative financial instruments:

	Up to 6 months	6 to 12 months	Over 1 year	Total
	(R\$ millions)			
Derivative financial instruments	9,938.1	1,168.1	2,190.7	13,296.8

Commitments

Banco BTG Pactual has entered into agreements related to investment opportunities, mainly in the private equity sector, pursuant to which it has provided unfunded commitments in its capacity as limited partner in private equity funds. Banco BTG Pactual manages and invests in these entities as part of its investment portfolio. As of September 30, 2017 and December 31, 2016, 2015 and 2014, the total amount of its undrawn commitment was R\$729 million, R\$322 million, R\$377 million and R\$1.1 billion, respectively, consisting mainly of its investments in BTG Pactual Brazil Infrastructure Fund II LP (FIP Infrastructure fund) and Timberland funds. The drawdown notice for these investments is subject to investment opportunities identified and agreed upon in the ordinary course of business and, therefore, it is difficult to estimate precisely the cash outflows relating to these commitments. Banco BTG Pactual did not record any amounts relating to commitments on its balance sheets for any period.

Capital Expenditures

Banco BTG Pactual's main capital investments in 2014, 2015 and 2016 and the nine months ended September 30, 2017 amounted to R\$55.7 million, R\$56.6 million, R\$21.9 million and R\$27.8 million, respectively. In 2014, the expenditures were related to investments in premises (21.1%), software (51.9%) and hardware (26.1%). In 2015, the expenditures were related to investments in premises (48.4%), software (22.3%) and hardware (29.2%). In 2016, the expenditures were related to investments in premises (32.5%), software (27.5%) and hardware (40.1%). For the nine months ended September 30, 2017, the expenditures were related to investments in premises (40.2%), software (50.0%) and hardware (9.8%).

Off-Balance Sheet and Other Transactions

Except for the co-obligation and bank guarantees that Banco BTG Pactual provides to clients for a fee and credit assignments in which it retains the credit risk in the ordinary course of its business via its FIDC, Banco BTG Pactual does not have any other transaction where there is exposure to credit risk. In addition, Banco BTG Pactual does not control any company that is not consolidated or whose results are not otherwise reflected in its financial statements. Its total amount of bank guarantees outstanding was R\$27,795.6 million, R\$35,969.5 million and R\$47,235.7 million as of September 30, 2017, December 31, 2016 and 2015, respectively.

Risk Management

In the ordinary course of its business, Banco BTG Pactual is exposed to various risks inherent to investment banking activities. The way it manages these risks directly affect its activities and operations and, consequently, its results.

Some of the most significant risks to which it is exposed to are the following:

- market risk;
- credit risk and counterparty risk;
- liquidity risk;
- operational risk;
- reputational risk;
- tax risk; and
- legal and regulatory risk.

See “Risk Factors—Risks Relating to Our Business and Industry.” The manner in which we manage and identify these risks is essential for its profitability. Banco BTG Pactual’s management of these risks involves different levels of its management team and encompasses a series of policies and strategies.

Banco BTG Pactual seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of its committees are responsible for monitoring risk exposures and for general oversight of its risk management process, as described further below. Banco BTG Pactual believes that the close involvement of its various committees (including their subcommittees) with the ongoing management and monitoring of its risks helps it foster its culture of rigorous risk control throughout the organization. Banco BTG Pactual’s committees consist of senior members of its business units and senior members of its control departments.

Banco BTG Pactual believes that the structure of its committees allows it to engage the whole organization and ensure decisions are readily and effectively implemented. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of its risks; (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products; (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by its Risk Committee; (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of its risk limits, and for approving exceptions to such limits; (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework; (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering; (vii) CFO Committee, which is responsible for monitoring its liquidity risk, including its cash position and balance sheet usage, and for managing its capital structure; and (viii) Audit Committee, which is responsible for the independent verification of the adequacy of its controls, and for assessing whether its books and records are kept appropriately.

Market Risk

Banco BTG Pactual identifies market risk by assessing the impact on the value of its assets and liabilities of variations in market risk factors such as interest rates, exchange rates, underlying prices and indexes. Since most of its assets and liabilities are subject to market risk, Banco BTG Pactual has developed its own tools to make it possible to carry out real-time analysis of the exposures on its portfolio. These tools enable it to perform analysis of the impact of different scenarios in its portfolio, taking into consideration severe market movements observed in distressed markets in the past, or its projected stress scenarios. These analyses are integral to its risk management. Banco BTG Pactual measures its market risk exposure using several methodologies of VaR, Stress Test and sensitivity analysis, which are consistently applied to all positions in its inventory, allowing the comprehensive assessment of market risks across its different portfolios. The risk reports are tailored to better support the management of its risk exposure within each of its various business units and to allow proper senior management awareness of all relevant risk to which Banco BTG Pactual may be exposed. Banco BTG Pactual uses a rigorous set of risk limits to manage its overall risks and to control the risk levels for each business unit by implementing portfolio limits (VaR and Stress Test), concentration limits (risk factor, regional, issuer) and operational limits (control or liquidity restrictions). These limits are periodically reviewed by Banco BTG Pactual's Risk Committee and usage is tracked and reported on a daily basis.

Market risk exposure can arise as a result of market-making, proprietary trading, underwriting, specialist and investing activities. Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads;
- equity price risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices;
- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates; and
- commodity price risks result from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, petroleum products, and precious and base metals.

Market Risk Control

The management of market risk is primarily the responsibility of Banco BTG Pactual's business units. If a business unit lacks specific power to manage a material market risk, it must transfer this market risk to a business unit permitted to hold such positions. In addition, Banco BTG Pactual's organizational structure also includes an area devoted to market risk control, which reports directly to its management and is independent from its business units.

The main responsibilities of the market risk area include the following:

- identifying and measuring market risks through the calculation of VaR, stress tests, the calculation of portfolio exposures and sensitivity analyses, which can be analyzed in real-time using the systems we have developed;
- producing daily reports on risk values for senior management, including the senior management of each of its business units, which Banco BTG Pactual believes provide the necessary support for proper risk management;
- establishing, controlling and reviewing the risk policies in effect, including risk limits;
- establishing and reviewing the risk calculation models Banco BTG Pactual uses;
- establishing and reviewing the stress test hypothetical scenarios;

- generating backtesting analyses, on a monthly or more frequent basis, with input of the actual results, in order to verify the risk estimates generated by Banco BTG Pactual's internal system, as well as the parameters used in the calculations; and
- regularly monitoring incurred risks and investigating any apparent anomaly, including: (i) inconsistencies between reported risks and effective results (which, in addition to backtesting exceptions, include any situation involving a significant divergence between them); (ii) inconsistencies between incurred risks and business unit strategies; and (iii) positions that are not being actively managed.

Limits

In order to align the risks incurred by Banco BTG Pactual's business units with anticipated results, and taking into consideration its capital basis, each business unit is required to comply with established market risk limits. The market risk limits are managed pursuant to the following risk measures:

- portfolio limits, which include: (i) VaR limits of 95% (1 day) per portfolio and per business unit; and (ii) hypothetical stress test limits per regional business unit;
- concentration limits, which include exposure limits, such as the concentration of risk factors per countries, regions and issuers; and
- operational limits, which include limits used to cover occasional material risks that are not adequately captured by traditional metrics, including exposure to unexpected and unperceivable risk factors. They may also be defined when required by specific market conditions, including liquidity, or control deficiencies.

VaR, stress test and exposure limits are disclosed daily in the consolidated risk report issued by the market risk area, which includes the observations of each of Banco BTG Pactual's business units. The report is sent to the individuals responsible for each business unit and is the main tool for monitoring the limits.

Limits are reviewed on a quarterly or more frequent basis, taking into consideration both the historical risk use and the average and maximum expected exposure of each business unit. The market risk area proposes a limit, mainly considering Banco BTG Pactual's current capital base, and submits the document for the risk committee's approval.

Loss Control

All positions have a stop loss level that is set forth by each business unit and monitored by the market risk area.

VaR

VaR is a measure of the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. Along with Stress Testing, VaR is used to measure the exposure of Banco BTG Pactual's positions to market risk. Banco BTG Pactual uses historical simulation with full re-pricing of positions for the VaR computation, preserving real distributions and correlation between assets, not making use of Greek approximations and normal distributions. Banco BTG Pactual's VaR can be measured and reported according to different time horizons, historical look-back windows and confidence levels. The accuracy of the risk system is tested through daily back-testing procedure that compares the adherence between VaR estimations and realized profits and losses.

For the VaR numbers reported below, a one-day time horizon, a 95.0% confidence level and a one-year look-back window were used. 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. As previously stated, Banco BTG Pactual uses “Stress Test” modeling as a complement of VaR in its daily risk management activities.

The following table sets forth Banco BTG Pactual’s average daily VaR for the years and the period indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(in R\$ millions , except percentages)				
Total average daily VaR	73.0	125.6	141.3	139.5	129.7
Average daily VaR as % of average equity ...	0.50%	0.64%	0.80%	0.66%	0.71%

Banco BTG Pactual’s total average daily VaR increased from R\$73.0 million in 2014 to R\$125.6 million in 2015 mainly due to (i) the BSI consolidation; (ii) an increase in commodities market risk; (iii) increased volatility in markets that offset the reductions in our fixed income and equities exposures and (iv) foreign exchange rate exposure, where we allowed a small portion of our structural exposures in other currencies to go unhedged towards the end of the year. In 2016, Banco BTG Pactual’s total average daily VaR increased from R\$125.6 million in 2015 to R\$141.3 million in 2016. This increase was mainly due to an increase in exposure to Latin American fixed income markets as well as general exchange rate risk exposure. For the nine months ended September 30, 2017, Banco BTG Pactual’s total average daily VaR decreased from R\$139.5 million for the nine months ended September 30, 2016 to R\$129.7 million for the same period of 2017 as a result of a decrease in the exposure to the foreign exchange rate markets. As Banco BTG Pactual has outlined in the past, such variations are a characteristic of its business model, in which its average VaR may vary, from time to time, due to its perceptions concerning capital deployment opportunities in the various markets in which Banco BTG Pactual operates.

Credit Risk

Credit risk represents the loss that Banco BTG Pactual would incur if a counterparty or an issuer of securities or other instruments it holds fails to perform under its contractual obligations, or upon a deterioration in the credit quality of third parties whose securities or other instruments, including over-the-counter derivatives, Banco BTG Pactual holds. Banco BTG Pactual’s exposure to credit risk principally arises through its trading, investing activity and financing activities. It attempts to manage the risk exposure by: (i) entering into agreements that enable it to obtain collateral from a counterparty on an upfront or contingent basis; (ii) seeking third-party guarantees of the counterparty’s obligations; and/or (iii) transferring its credit risk to third parties using options, swaps and other derivatives contracts on the exchanges, particularly on B3. The following table sets forth the distribution, by credit rating, of Banco BTG Pactual’s credit exposures as of September 30, 2017 to financial instruments, excluding derivatives and securities under trading activities.

The ratings shown below reflect Banco BTG Pactual’s internal ratings assessment, consistently applied in accordance with the Central Bank standard ratings scale:

Rating	(Unaudited)	As of September 30, 2017
		(in R\$ millions)
AA		13,813
A		5,086
B		2,614
C		1,807
D		3,115
E		515
F		594
G		3
H		601

Total	28,147
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Liquidity and Funding Risk

Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity resulting from adverse circumstances. Accordingly, Banco BTG Pactual has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both specific and broader industry or market liquidity events. Its principal objective is to be able to fund Banco BTG Pactual and to enable its core businesses to continue to generate revenues, even under adverse circumstances. For additional information, see “Liquidity.”

Reputational Risk

Banco BTG Pactual is also subject to reputational risks. For a description of such risk, see “—Principal Factors Affecting Our Financial Condition and Results of Operations—Reputational Risk” and “Risk Factors.”

Operational Risk

Operational risk is defined by the Basel II committee as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Legal risks include, but are not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. Operational risk is relevant to every aspect of the business and covers a wide spectrum of issues, such as, losses arising through fraud, unauthorized activities, errors, omission, inefficiency, systems failure or from external events.

The management of operational risk comprises the identification, assessment, monitoring and control of operational risk in order to maintain exposure to losses within acceptable level and to protect Banco BTG Pactual from foreseeable future losses. The Operational Risk Framework (ORF) illustrates the management process of operational risks, which must be followed by all stakeholders within the company’s activities.

The application of the Operational Risk Framework and its associated processes, as the effective implementation of the Operational Risk Management and Control Principles, is a governance requirement for Banco BTG Pactual according to international standards and subject to regulatory demands. As a general guideline, this requirement applies to all activities and entities related to the core banking and finance business of Banco BTG Pactual Group. As new activities are undertaken or new entities are formed, operational risk should be involved to determine the applicability of the Operational Risk Framework and its organizational elements.

As the first line of defense, operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies. Operational management is responsible for maintaining effective primary internal controls and for executing risk and control procedures on a day-to-day basis. Operational risk and internal control is the responsibility of all employees and business management, supported by the ORF and functional areas. Effective operational risk management and control is fundamental to the interests of stakeholders. Regulators and rating agencies assess the approach to operational risk and expect a high level of management and control. Thus, operational risk management and control is critical to avoid reputational issues.

The second line of defense includes the global risk functions, such as operational risk. It is responsible for ensuring that the risk level is within the risk appetite and includes a risk management function that facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization.

Tax Risk

Tax risk includes the risk of exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory assessment as a result of non-compliance with applicable legal and regulatory

requirements. See “—Principal Factors Affecting Banco BTG Pactual’s Financial Condition and Results of Operations—Tax Risk.”

Legal and Regulatory Risk

Banco BTG Pactual is subject to significant legal and regulatory risks. See “Risk Factors—Risks Relating to Our Business and Industry” and “Risk Factors—Risk Factors Relating to the Regulatory Environment.” Its legal and compliance departments are responsible for mapping, controlling and preventing these risks by supporting all of its business units and administrative areas. Banco BTG Pactual’s legal department is divided into groups specialized in investment banking, asset management, principal investments, trading, wealth management, litigation and corporate affairs. Its compliance department is responsible for the development and maintenance of its internal controls regarding regulatory matters such as anti-money laundering, information barriers and securities trading restrictions, as well as conducting training on regulatory matters. The most important risks that Banco BTG Pactual potentially faces are managed with the involvement of two or more members of its Senior Management Team.

BUSINESS

Overview

We are a Latin American multi-service investment bank, asset manager and wealth manager. In addition, we have established a successful global asset management platform, along with strong international investment and distribution capabilities. We were founded in 1983 and have operated as a meritocratic partnership since our inception. Currently, we have local coverage offices across Latin America, including in Brazil, Chile, Colombia, Mexico and Argentina, and have an international presence focused on distribution of a wide variety of banking products in Latin America and managing global clients' funds in New York and London. Through this platform, we provide a comprehensive range of financial services to a Latin American and global client base that includes corporations, institutional investors, governments and HNWI.

Our Business Units

Our operational strategy is focused on five main business units consisting of:

- **Investment Banking**, which provides financial advisory and capital markets services to companies;
- **Corporate Lending**, which offers financing and loan guarantees to companies;
- **Sales and Trading**, which offers financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and equities, derivatives, interest rate and foreign exchange transactions, as well as energy, insurance and reinsurance products and services;
- **Asset Management**, which offers asset management services with a broad range of products across several international asset classes, especially in Latin America, to local and international clients; and
- **Wealth Management**, which provides investment advisory and financial planning services and investment products to HNWI and institutions. We also offer investment products through BTG Pactual Digital, our recently launched online retail platform.

We continue to also hold ownership interests in companies as part of our Principal Investments business unit and, separately, hold strategic investments in certain other companies both in Brazil and abroad as part of our Participations business unit, each as described below:

- **Principal Investments**, which relate to (i) seed capital in certain of our investment products as a minority investor, with the objective that any such investments usually represent less than 10% of our total investments, (ii) an investment constituting a 17.4% stake in our infrastructure fund; (iii) small investments in real estate funds; and (iv) certain other legacy assets.
- **Participations**, which include as of September 30, 2017: (i) a co-controlling interest in Banco Pan, a commercial and consumer bank, focused on loans, consumer credit, payment-deducted loans and middle market loans; (ii) a 30% ownership interest in EFG, following our sale of BSI to EFG; (iii) a 51% ownership interest in Pan Seguros, a Brazilian insurance company providing personal property insurance to individuals; (iv) a 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments; and (v) an approximately 19.1% ownership interest in Engelhart CTP, a global commodities trading platform, which we spun-off but in which we continue to hold a minority interest.

We are committed to expanding our platform to further strengthen our presence and product offering across Latin America. Following our successful completion of the acquisitions of Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia in 2012, we have consolidated and expanded our Latin American franchise, including the opening of a bank in Chile in December of

2014 and the opening of our local offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina, each focusing on advisory, asset management and wealth management services, as well as providing a broad range of sales and trade offerings through local broker-dealers. Beyond our initiatives in Latin America, we are focused on continuing to strengthen our broad global asset management capabilities, where we have reestablished our teams and capabilities, grown our AUM, and presented benchmark performance.

We are focused on offering innovative products and services to meet our clients' evolving demands, including through expanding our presence and product offerings in Latin America; and capturing banking disintermediation opportunities arising from technological developments in Brazil and the increasing maturity of Brazilian investors. With these objectives in mind, we recently developed an on-line business platform, BTG Pactual Digital, which is focused primarily on offering several products similar to those products offered to our wealth management clients, including access to our or third party's investment funds, fixed income products and private pension plans.

Our Results and Financial Condition

For the nine months ended September 30, 2017 and the year ended December 31, 2016, our revenues, as derived from our unaudited adjusted income statement, were R\$4,157.3 million and R\$8,797.1 million, respectively, our net income was R\$1,723.5 million and R\$3,408.6 million, respectively. As of September 30, 2017 and December 31, 2016, our shareholders' equity was R\$18,609.3 million and R\$17,727.2 million, respectively, and we managed a total of R\$136.8 billion and R\$115.7 billion, respectively, in our asset management unit and R\$84.4 billion and R\$73.7 billion, respectively, in our wealth management unit. Our different business units produce a combination of fee and trading revenues that have allowed us to generate positive earnings growth and returns on equity through varying and at times difficult economic and market conditions. For the five years ended December 31, 2016, our average return on equity was 25%, with no year being lower than 18%.

The following table shows key performance data for Banco BTG Pactual for the periods indicated:

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	CAGR ⁽⁶⁾
	2014	2015	2016	2017	2014- 2017
	(in R\$ millions, except as otherwise indicated)				%
Total Revenue ⁽¹⁾	6,552.4	11,080.9	8,797.1	4,157.3	(15.2%)
Net Income	3,369.2	5,623.5	3,408.6	1,723.5	(21.6%)
Shareholders' Equity	14,733.3	19,713.3	17,727.2	18,609.3	8.9%
Return on Average Equity ("ROAE") ⁽³⁾⁽⁴⁾ (%)	25.1%	32.7%	18.2%	12.6%	(14.1%)
AUM and AUA (in R\$ billions) ⁽²⁾	201.4	192.5	115.7	136.8	(13.1%)
WUM (in R\$ billions) ⁽²⁾	81.0	83.9	73.7	84.4	1.5%
BIS Capital Ratio ⁽⁵⁾ (%).....	17.5%	15.5%	21.5%	17.3%	(0.3%)

(1) Derived from our unaudited adjusted income statement.

(2) Unaudited.

(3) We determine our average shareholders' equity based on the initial and final net equity for the period.

(4) Figures are presented on an annualized basis.

(5) Bank of International Settlements.

(6) Compound annual growth rate.

Our Partnership

We operate as a partnership, with 214 Partners as of September 30, 2017, who are also executives of Banco BTG Pactual. As of September 30, 2017 the Partners owned approximately 81.9% of our equity, and approximately 72.8% of our equity was part of our partnership, and we refer to such equity as "Partnership Equity." Our 36 most

senior Partners, who we consider to be key contributors to our success, owned approximately 66.0% of our equity as of September 30, 2017.

We believe the key to our success is our partnership model. We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) substantially enhances the integration of our seven complementary business units and maximizes cross-selling of our products, (iii) allows us to maintain an intense commitment to our clients, and identify and capitalize on opportunities in the Latin American and global financial markets, (iv) substantially enhances our ability to attract the best available talent and (v) greatly facilitates our ability to consistently maintain a lean and cost efficient organizational structure. As a result of this model, and the integration of our businesses, we have a diversified revenue mix and low cost-to-income ratio and have consistently achieved financial results that we believe exceed those of our competitors.

A key feature of our partnership model is that our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives). Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of the BTG Pactual Group in its entirety. We believe that the substantial ownership position of our Partners and the maintenance of our partnership in which Partnership Equity is bought and sold at book value on a meritocratic basis will (i) ensure the continued commitment of our most important executives to our success following our initial public offering, (ii) permit us to maintain our unique culture and the competitive advantage it grants us and (iii) permit us to attract and retain future generations of talent, all of which create an unprecedented alignment of the interests of our senior management with the interests of public shareholders. See “Our Partnership.”

Our Core Values

Our organization is built and operates on the following set of 12 core values:

Strategic Focus: How we set our strategic direction

- Client focused
- Alpha-based
- Global thinking
- Long-term ambition

People: How we work

- Partnership
- Teamwork
- Hard-working and hands-on
- Grow our own talent

Performance Management: How we achieve superior results

- Meritocracy
- Entrepreneurship
- Excellence
- Bottom line driven and cost conscious

We believe that the culture that results from these core values differentiates us in the market, leads to an integrated organization and allows for superior results.

Our Competitive Strengths

We believe that our competitive strengths include:

Substantial Presence in Latin America, Where We are a Dominant Investment Bank, Asset Manager and Wealth Manager, with a Leading Franchise in the Businesses We Operate

We are one of the leading players in Latin America's financial services industry, which we believe to be one of the most attractive financial services markets globally. Given our substantial presence in all of the major financial markets of the region, we believe that we are positioned to benefit from the growth and further development of Latin America.

Dominant franchise. We are one of the premier brands for investment banking, asset management and wealth management in Latin America and we are one of the largest investment banks based in the emerging markets. Among other things, we:

- were bookrunners in approximately 51.0% of all public equity offerings completed in Brazil from 2006 through September 30, 2017, and the leading equity underwriter in terms of number of bookmanaged transactions according to ANBIMA. In terms of total volume underwritten, we were the leading underwriter of equity issued by companies listed on B3 in 2004, 2005, 2007, 2009, 2012 and 2014, the second largest equity underwriter in 2006, 2011 and 2016 and the third largest underwriter in 2013, according to ANBIMA. In 2010, we were the leading equity underwriter in terms of total deals completed according to ANBIMA. We continue to build market share in Latin America beyond Brazil and were the largest equity underwriter in Latin America in 2013 in both number of transactions and volume and the second largest in number of transactions in 2014, according to Dealogic;
- were ranked first in Brazilian M&A advisory rankings according to Thomson in 2010, 2011 and 2013 and provided advisory services in 380 announced M&A transactions from January 1, 2009 through September 30, 2017. We are rapidly expanding our M&A advisory services in Latin America outside of Brazil, both in local and cross-border transactions, and in 2013, we were ranked first in M&A both in number of transactions and volume and the second largest in number of transactions in 2014, according to Dealogic;
- have an equity research team named among the best research teams in Brazil from 2006 to 2016 and the best research team in Brazil in 2017 and among the best research teams in Latin America from 2012 to 2016, according to *Institutional Investor*;
- are one of the largest equity brokerage houses in Brazil in terms of total volume of securities traded, according to B3;
- are one of the largest asset managers in Brazil, according to ANBIMA (December 2016), with AUM in the amount of R\$136.8 billion as of September 30, 2017;
- had approximately R\$84.4 billion of WUM as of September 30, 2017 and were named by *Euromoney* as one of the top three Brazilian providers of Best Overall Private Banking Services from 2011 to 2014; and
- received a number of awards recognizing the excellence of our investment banking, asset management and wealth managements platforms, including: being named Best Equity Sales team in Brazil in 2017 by *Institutional Investor* in 2017; Best Investment Bank in Brazil and Best Wealth Management Provider by *World Finance* in 2017; Best Investment Manager in Brazil, Chile and across Latin America in 2017 by *Euromoney* magazine; Best Family Office Services in Brazil, Best Investment Banking Capabilities, Best Asset Management Capabilities and Best Research and Asset Allocation Advice, each in 2016 by *Euromoney Magazine*; Wealth Management Company of the Year in 2017 by *The European*; Best Variable Income Fund Manager in Brazil by *Standard & Poor's* and *Valor Econômico*.

We believe we have a vast knowledge of the Latin American financial markets, can identify business opportunities and trends more quickly and accurately than our competitors in Latin America and, due to our flat management structure and strong capital base, can act more effectively on such business opportunities.

We also have an extensive network of long-standing business contacts and corporate relationships, and we believe we have a strong brand and a reputation for excellence among our target corporate and individual client base.

Established International Asset Management Platform

We have an international asset management platform in London and New York that, together with our Brazilian and other Latin American offices, provides Latin American, emerging market and global investment products and services to our client base. As of September 30, 2017, we had over 140 professionals, including 28 of our most senior executives, in our international offices dedicated exclusively to the international asset management business.

Distinctive Culture Stressing Intellectual Capital, Meritocracy, Entrepreneurship and an Unprecedented Alignment of Interests

We operate under a partnership model and a flat management structure that emphasizes the value of intellectual capital, entrepreneurship and meritocracy in all regions and markets in which we operate. We believe this model is the key to our success. We are managed by our Senior Management Team covering our Brazilian and international operations. As of September 30, 2017, we had 214 Partners that, owned, directly or indirectly, approximately 81.9% of our equity.

We consider our personnel to be our most valuable asset and believe that our culture and partnership structure allows us to attract, retain and motivate highly talented professionals. Our recruiting strategy and training are aimed at producing future Partners. The commitment of our personnel to our culture and success is reinforced through the recognition of individual merit and a variable compensation system that rewards teamwork, entrepreneurship and initiative, and eventually results in our most valuable professionals becoming vested in the success of our business as Partners. We believe that our partnership model, recruitment strategy and management structure result in our achieving substantially less turnover at the middle and senior management levels than our Latin American and international competitors.

Our culture also stresses an alignment of interests between our shareholders, including our public shareholders, and our professionals. Virtually all of our key professionals are Partners and their respective equity ownership in Banco BTG Pactual represents significant portions of their personal wealth (and in most cases, the vast majority of such wealth). We believe that this creates an unprecedented alignment of interests that encourages (i) a rigorous analysis of the risks that we take in our trading activities, (ii) our pursuit of strategies that emphasize long-term, consistent and profitable growth, (iii) a long-term commitment to our clients and our reputation, (iv) the maintenance of a lean organizational structure and decision-making process and (v) a strong focus on cost controls.

Consistent with our long standing strategies, we have taken concrete steps aimed at ensuring that our partnership model remains in effect for the foreseeable future so that both our Partners and our public shareholders continue to enjoy the financial and strategic benefits which we derive from this model. See “Our Partnership.”

Our Track Record of Strong Growth with Consistent Profitability through Various Economic Cycles while Maintaining Strong Capital Ratios and Rigorous Risk Controls

Our Senior Management Team is based in all major markets in which we operate and has many years of experience leading us through various economic cycles, including the Asian crisis (1997), the Russian crisis and Long Term Capital Management crisis (1998), the crisis following Brazil’s currency devaluation (1999), the end of the so-called “Internet bubble” (2000-2001), the Argentine debt default (2002), the market volatility related to the Brazilian presidential elections (2002-2003), the international financial crisis (2008) and, more recently, the economic and political instability and economic recession in Brazil due in part to ongoing money laundering and corruption investigations in connection with corruption allegations (the so-called Lava Jato investigations) consisting, among other things, of illegal payments made by Brazilian companies to officers, directors and other employees of Petrobras, a Brazilian state-controlled energy company, in order to influence commercial decisions.

We have generated strong and consistent returns on our capital throughout these various cycles. We have been profitable during each of the last three years ended December 31, 2016. For the five years ended December 31, 2016, our average return on equity was 25%, with no year being lower than 18%.

While we seek to generate strong and consistent earnings, we also focus on consistently maintaining strong capital ratios and an adequate risk profile. We believe that our track record of consistently maintaining a higher capital ratio than that required by the Central Bank, while consistently generating attractive returns on equity, highlights our ability to deploy capital efficiently.

Similarly, we seek to maintain a rigorous discipline of risk management and internal controls. We monitor our risks on a daily basis; looking at all dimensions that we believe are relevant to our operations, including market risk, credit risk, liquidity risk, counterparty risk and operational risk. In our risk control framework, we adopt risk models that allow us to measure risks based on the past behavior of markets (VaR) and on our stress test scenarios and simulations. Our senior Partners, who are responsible for the management of our risks, are closely involved in the execution of the daily operations, and have a deep understanding of the markets in which we conduct our operations. We also have a separate risk management team led by a member of our Senior Management Team. As a consequence, risk management is an integral part of our decision-making process, which we believe has allowed us to maintain consistent returns, and to optimize the use of our capital.

We believe that our risk management policy applies the best practices, which have been tested in extremely adverse conditions, including during the 2008 international financial crisis, and the more recent political and economic crisis in Brazil that started in 2015. As a result of the political and economic crisis in Brazil and our involvement therein, we have (i) adjusted our corporate governance structure, including our senior management team and control group; (ii) reduced significantly our portfolios in order to generate excess liquidity; and (iii) reduced linearly across our business units our leverage and VaR, while strengthening our capital ratios. As of September 30, 2017, we benefit from more than R\$22.9 billion in cash and cash equivalents, a Basel ratio of 17.3%, and a balance sheet leverage ratio of 6.1 times our equity at, which has significantly improved our compliance structure and positioned us to provide greater stability to our clients, support the growth of our franchise, and fully reignite our corporate lending business once unsecured funding stabilizes. In addition, given that the vast majority of our Partners' personal wealth consists of their respective equity interests in the BTG Pactual Group, we believe that the interests of the persons taking and monitoring our risks are more fully aligned with our non-executive shareholders than is the case at our competitors, reinforcing our rigorous risk control and long-term profit strategies.

Experienced Management Team and Motivated Work Force

We have a group of highly talented professionals with a strong reputation in the Latin American and international financial markets. This group was responsible for establishing and implementing the strategies that permitted us to become one of Latin America's leading financial institutions. Our team includes numerous executives with substantial experience in Brazilian and international institutions acting as traders of G-10 and non-Brazilian emerging markets securities or as top executives in global investment banking, and asset management business units. These team members have been selected based on both their previous histories of success and our belief that they shared our distinctive business culture and would serve as the cornerstones for implementing this culture in our international offices and in our businesses generally going forward.

Additionally, our strong and broad network of contacts, together with our positive reputation in the financial markets, primarily in Latin America, allow us to obtain additional business contacts in Asia, the Middle East, Europe and North and South America. We continue to attempt to leverage these contacts to strengthen many of our principal businesses and realize additional revenues.

Our Diversified Portfolio of Businesses

We believe that we have successfully diversified our business operations and sources of revenue to maximize opportunities for leveraging our client relationships across business units. In addition, we believe that we have achieved geographic diversification which has positioned us to exploit changes in market conditions throughout the world.

We believe that our strong market positions across the spectrum of financial services enable us to adapt quickly and prosper under changing market conditions. Our entrepreneurial culture leads us to consistently seek new and diversified revenue sources, including opportunities outside our historical target market in Brazil, such as our acquisitions throughout Latin America, including in Mexico and Argentina, and through our online platform, BTG Pactual Digital. We believe that our geographic diversification and expanding portfolio of businesses increases our potential to successfully grow our business and to maintain our profitability.

In addition, we believe our market strength within each of our business units allows us to maximize the value we obtain from our client relationships by using an integrated approach to cross-sell the services that we provide. For example, many of our significant asset and wealth management clients generated their wealth through public offerings that we have underwritten. This cross-selling is particularly advantageous in Latin America, where many wealthy families control a significant share of local businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

We believe that our solid research capabilities also contributed to our significant participation in equity underwritings in Latin America in addition to generating significant brokerage commissions for our sales and trading unit. Consequently, we currently provide our clients with both high quality asset and wealth management and financial advisory services – both in capital markets and mergers and acquisitions. In addition, our sales and trading and principal investments units cover multiple markets and different geographies, with a focus on building long-term relationships and delivering high quality execution.

History of Successfully Integrating Acquired Businesses

We have acquired and successfully integrated several businesses, which have contributed substantially to our strong track record of growth, the diversification of our business operations and the geographic diversity of our sources of income. Through selective acquisitions, we have: (i) expanded our existing business lines geographically; (ii) increased the products and services we offer to our clients; (iii) increased our client base; and (iv) achieved substantial new revenue sources that we believe neither we nor the businesses we acquired would have achieved on a stand-alone basis.

For example, in 2012, we successfully consolidated our position as a true leader in financial services in Latin America when we acquired Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia. We identified these acquisitions based on their strategic value to our business and their strong fit with our unique culture. We have leveraged their existing operations by distributing Brazilian and international asset management, wealth management and corporate finance products to their previously existing client base and by significantly expanding our client base in their respective markets by offering a broader and more diverse range of products to larger and more sophisticated corporate clients and HNWIs.

We believe our history of successfully integrating new businesses and replicating the model we first implemented in Brazil has provided us with experience that will be invaluable as we continue to expand into new businesses and geographies, whether through additional acquisitions or organically.

Our Strategy

Our principal strategies are:

Strengthen our Latin America Operations and Capitalize on its Outstanding Growth Prospects

We believe that the growth of the financial services sector in Brazil and in a number of other countries in Latin America, such as Chile, Colombia, Peru and Mexico, will continue and further develop in the future. These countries exhibit a number of characteristics that we believe provide the basis for growth while these countries are still far from the financial maturity of fully developed economies. These characteristics include:

- a positive macroeconomic environment that is no longer destabilized by hyperinflation and external debt arrears;
- political stability associated with democracy and freedom;

- a sound institutional and regulatory framework, including well-established rules of arbitration;
- improved corporate governance;
- sophisticated and, in some cases, deep domestic financial markets;
- highly attractive investment opportunities across different segments;
- a growing middle market and middle income consumer base fostering the growth of the asset management industry, insurance and pension funds;
- numerous domestic companies well-positioned to continue to tap international markets, with several others actively pursuing international markets; and
- a sustainable inflow of foreign direct investments.

Large investment opportunities have been created over the last several years in Latin American countries, including in connection with infrastructure investments in Brazil, Mexico, Peru, Argentina and Colombia, among others. We believe these opportunities, combined with sustained growth in domestic income and consumption and potential demand for further improvements, will continue to foster capital expenditures in Latin American countries. We expect that strong economic growth elsewhere in Latin America, especially Chile, Peru, Argentina, Colombia and Mexico, will lead to increased capital expenditures and investments within those economies.

Multinational companies seeking higher growth continue to expand in Latin America, including through acquisitions, while at the same time numerous Latin American companies have become multinational enterprises that are actively pursuing international acquisitions. A greater percentage of the Latin American population is entering into higher income classes and becoming potential consumers of asset and wealth management products. Also, the middle market and low income consumer base is expected to continue to grow as the economy further develops, especially in the medium to long term scenario.

We intend to continue to take advantage of favorable Latin American market conditions by using our expertise and ability to consolidate and expand our franchises and leverage our reputation among our current and prospective Latin American and international clients interested in emerging markets-related opportunities by, among other things:

- actively marketing our equity and debt capital markets capabilities to Latin American issuers, with a view towards maintaining and expanding our position as the leading underwriter both in Brazil and in other Latin American countries;
- expanding our M&A advisory business, both for Latin American companies seeking to acquire businesses outside their home countries, and foreign companies seeking to acquire Latin American businesses and assets;
- continuing to develop our leading asset management and wealth management businesses in Brazil while further expanding our footprint within other Latin American markets;
- continuing to develop credit, derivatives and other sophisticated FICC products for our corporate clients to meet their needs as they grow both in Latin America and internationally;
- taking advantage of private sector and pre-IPO investment opportunities sourced through our extensive Latin American network;
- continuing to develop the scale and diversity of our products and capabilities of all our offices; and
- continuing to expand our businesses and presence in the region, taking advantage of the expected growth in Latin American economies.

Following our successful completion of two acquisitions in Latin America of Celfin and Bolsa y Renta in 2012, we have continued the implementation of strategies to consolidate our Latin American franchise, including the opening of a bank in Chile in December 2014. In addition, we received approval from the Central Bank and the CNBV in Mexico to operate a broker-dealer in Mexico, where we began our operations in March 2014 and have achieved consistent gains in market share. One of our main strategies relating to our presence in Latin America involves the expansion of our business in Mexico, where we intend to attract even more clients to our local investment funds and broker dealer business. In addition, we are expanding our business in Argentina following the approval by the Brazilian and Argentinian authorities of our entry into the broker dealer market in Argentina.

We understand that the Latin American market has several opportunities for organic and inorganic growth. We intend to continue to take advantage of favorable Latin American market conditions through our expertise and ability to expand and leverage our reputation among our current and prospective Latin American and international clients interested in emerging markets.

Maintain Our Distinctive Culture

In contrast to other investment banking and asset management firms in Brazil and worldwide that have sold equity to the general market in the past, we have implemented several concrete steps to maintain our partnership model following our initial public offering completed in April 2012. As of September 30 2017, the Partners owned approximately 81.9% of our total equity. Our partnership has the right, at any time and for any reason, to require any Partner to sell all or a portion of his Partnership Equity. Such Partnership Equity may then be resold to other persons (either existing Partners or new executives) at book value. Such right will continue with respect to all of the Partnership Equity for the foreseeable future, and thus, we expect that such shares will never be eligible for sale into the market or to third parties, except for certain limited exceptions. Accordingly, none of our Partners sold any IPO units or underlying securities in our initial public offering or are expected to sell such securities for the foreseeable future (i.e., we expect that the Partnership Equity will never be eligible for sale into the market or to third parties, except for certain limited exceptions such as in connection with a sale of the entire BTG Pactual Group). These mechanisms result in a substantial amount of the economic burden of incentivizing our most important executives to fall on our existing Partners, rather than Banco BTG Pactual or our public shareholders.

We believe the mechanisms described above create an unprecedented alignment of interests between our Partners and our public shareholders, allowing us to continue our efforts to maximize value for our shareholders while simultaneously managing risk in a proactive manner. See “Our Partnership.”

Take Advantage of Attractive Growth Opportunities

We expect to focus on acquisitions that are complementary to our existing businesses, and that offer opportunities for growth and earnings accretion within our existing businesses. Our presence in significant financial markets such as São Paulo, New York and London enables us to better explore business opportunities arising in different regions and demonstrates our intention to continuously seek diversification. We believe there are attractive opportunities for selective global expansion. For example, we believe that our strong reputation and global presence will allow us to (i) expand our marketing of products to a global customer base, (ii) expand our investment banking, and (iii) attract additional talent.

We also intend to pursue strategic opportunities that further complement our existing businesses through organic growth. Throughout our history, we have experienced many successful cases of organic commenced operations, including: (i) our global asset management business, (ii) our insurance business, through which we offer insurance and reinsurance products in Brazil and elsewhere in Latin America, (iii) our entering into high income retail business through BTG Pactual Digital and (iv) our successful global commodities business which grew, and was recently spun-off into an independent company - Engelhart CTP. We believe that the development of these significant new business initiatives reflects our entrepreneurship, agility and ability to capitalize on strategic growth opportunities as they arise in Latin America.

Reduce our Exposure to Proprietary Merchant Banking and Real Estate Investment Activities

We have been reducing, through the divestment and sale of assets, our exposure in relation to certain of our principal investment activities, mainly our merchant banking, private equity and real estate investments. Given this

trend, our principal investments have been significantly streamlined, focused now on the allocation of excessive proprietary capital, legacy investments and seed capital in certain funds as a minority investor up to specified limits. We are no longer focused on investing in portfolio companies operating in the real economy and, accordingly, do not intend to allocate new resources and capital in merchant banking and real estate investments, except for seed money in our investment products. Our strategic focus is to reallocate capital and resources to strengthening and expanding our activities in our core business, such as investment banking, asset management, wealth management, sales and trading and corporate lending.

Subsidiaries

As of September 30, 2017, our principal subsidiaries were the following:

	Share (%) of total capital	Activity	Jurisdiction
<i>Direct subsidiaries</i>			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários.....	99.99	Asset Management Services	Brazil
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	99.99	Equities Broker-Dealer	Brazil
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários.....	99.99	Equities Broker-Dealer	Brazil
BTG Pactual Holding Participações S.A.	99.99	Holding Company	Brazil
BTG Pactual Holding Internacional S.A.	99.99	Holding Company	Brazil
BTG Pactual Overseas Corporation	100.00	Holding Company	Cayman
BW Properties S.A.	77.93	Real Estate Business	Brazil
BTG Pactual Holding de Seguros Ltda.	99.99	Holding Company	Brazil
BTG Pactual S.A. Comisionista de Bolsa	99.70	Broker-dealer	Colombia
BTG Pactual TTG Participações S.A.	100.00	Timber Management	Brazil
Banco BTG Pactual Luxembourg S.A.	100.00	Holding Company	Luxembourg
BTG Pactual Corretora de Seguros Ltda.	100.00	Insurance	Brazil
Banco Sistema S.A.	99.84	Bank	Brazil
Enforce Gestão de Ativos S.A.	70.00	Asset Management	Brazil
BTG Pactual Corretora de Resseguros Ltda.	100.00	Insurance	Brazil
<i>Indirect subsidiaries</i>			
BTG Pactual Gestora de Investimentos Alternativos Ltda. ..	99.98	Private Equity Asset Management Services	Brazil
BTG Pactual WM Gestão de Recursos Ltda.	99.99	Wealth Management Asset Management Services	Brazil
BTG Pactual Gestora de Recursos Ltda.	99.99	Private Equity Asset Management Services	Brazil
BTG Pactual Corporate Services Ltda.	99.99	Financial Services Advisory	Brazil
BTG Pactual Serviços Energéticos Ltda.	100.00	Electrical Energy Trading	Brazil
BTG Pactual NY Corporation	100.00	Holding Company	USA
BTG Pactual Global Asset Management Limited	100.00	Asset Management	Bermuda
BTG Pactual Europe LLP	100.00	Asset Management	UK
BTG Pactual Asset Management US, LLC	100.00	Asset Management	USA
BTG Pactual US Capital, LLC	100.00	Brokerage and Clearing Services	USA
BTG Pactual Asia Limited	100.00	Asset Management	Hong Kong
BTG Global Asset Management (UK) Limited	100.00	Holding Company	UK
BTG Pactual Resseguradora S.A.	100.00	Insurance	Brazil
BTG Pactual Vida e Previdência S.A.	100.00	Insurance	Brazil
Tropicalia Transmissora de Energia S.A.	100.00	Energy Trading	Brazil
Banco BTG Pactual Chile S.A.	100.00	Bank	Chile
BTG Pactual Chile SPA	100.00	Holding Company	Chile
BTG Pactual Chile International Ltd.	100.00	Holding Company	Cayman
BTG Pactual Chile Capital S.A.	100.00	Holding Company	Chile
BTG Pactual Chile Capital S.A. Corredores de Bolsa	100.00	Broker-Dealer	Chile
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A.	100.00	Asset Management	Chile
BTG Pactual Chile Capital S.A. Administradora General de Fondos	100.00	Fund Administration	Chile
BTG Pactual Chile Servicios Financieros S.A.	100.00	Advisory Services	Chile
Inmobiliaria BTG Pactual Chile Limitada.	100.00	Real Estate	Chile

	Share (%) of total capital	Activity	Jurisdiction
BTG Pactual Chile S.A. Administración de Activos	100.00	Fund Administration Services	Chile
BTG Pactual Compañía de Seguros de Vida.....	100.00	Insurance	Chile
BTG Pactual Holding Delaware LLC	100.00	Holding Company	Delaware
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa .	100.00	Broker-Dealer	Peru
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	100.00	Asset Management	Peru
BTG Pactual Perú S.A.C.....	100.00	Broker-Dealer	Peru
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	94.50	Asset Management	Colombia
Laurel Sociedad Gestora Profissional S.A.S	100.00	Asset Management	Colombia
BTG Pactual E&P S.a.r.l.....	100.00	Holding Company	Luxembourg
BTG Pactual Oil & Gas S.a.r.l.	100.00	Holding Company	Luxembourg
TTG Brasil Investimentos Florestais Ltda.....	100.00	Timber Asset Management	Brazil
BTG Pactual Timberland Investments Group LLC	100.00	Timber Management	USA
BTG Pactual Casa de Bolsa, S.A. de C.V.	100.00	Broker-Dealer	México
BSPE Participações e Empreendimentos S.A.....	99.84	Service provider	Brazil
Bastec Tecnologia e Serviços Ltda.....	99.84	Service provider	Brazil
BTG Pactual UK Holdco Limited	100.00	Holding Company	UK
BTGP-BSI LIMITED	100.00	Holding Company	UK
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	100.00	Asset Management	México
TTG Forestry Services LLC.....	100.00	Timber Management	USA
N.A.S.S.P.E. Empreendimentos e Participacoes S.A.	100.00	Holding Company	Brazil
BTG Pactual Argentina S.A.	100.00	Equities Broker-Dealer	Argentina

Business Units

Information about our business units should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto included elsewhere in this Offering Memorandum.

Investment Banking

We are among the leading providers of investment banking services in Latin America. We provide a wide range of investment banking services, such as acting as underwriters or placement agents in capital raising transactions in the public and private debt and equity markets, providing finance advisory services, and sophisticated financial and structured products and services for corporations, financial institutions, investment funds, governments and individuals. Although these services are primarily rendered to clients based in Latin America, we also serve non-Latin American clients, including entities and individuals seeking to engage in M&A and other transactions in Latin America or involving Latin American securities or other financial instruments, including services to non-Brazilian clients seeking to list their securities on B3.

Our investment banking activities are divided into two categories:

- **Capital Markets**, which includes acting as underwriters, placement agents or advisors in public offerings and private placements of equity and debt securities; and
- **M&A and Advisory**, which includes advisory assignments with respect to mergers and acquisitions, divestitures, restructurings, spin-offs, reorganizations and other significant corporate transactions.

We believe that we provide our clients with high quality and straightforward advice and effective transaction execution, which has developed and fostered long-term relationships with our clients and has provided us with a strong competitive advantage both in Brazil and throughout Latin America, ahead of retail banks in the region with larger capital bases or foreign banks lacking scale and penetration in the Latin American market.

For the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, our revenues from our investment banking business unit were R\$382.8 million, R\$367.1 million and R\$222.4 million, respectively, representing 3.5%, 4.2% and 5.3%, respectively, of our total revenues.

Organization

Our investment banking unit has continuously adapted its organizational structure to meet changing market dynamics and our clients' needs. Our current structure, which is organized along execution and industry groups, seeks to combine our client-focused investment bankers with execution and industry expertise.

We believe having a group of professionals who focus on developing and maintaining strong client relationships (coverage bankers) is the principal competitive advantage in our marketing effort. These professionals work with senior executives of our clients to identify areas where we can provide capital raising, financial advisory or other financial products and services. Our coverage bankers are organized by industry specific groups, which include Aerospace, Agribusiness, Automotive, Basic Materials, Chemical and Petrochemical, Education, Energy and Power, Financial Institutions, Healthcare, Industrials, Infrastructure, Metals and Mining, Pulp and Paper, Real Estate and Construction Companies, Retail, Transportation, Telecom and Media, Travel and Leisure and Utilities. The broad base of experience and knowledge of our professionals, coupled with their long-term commitment to us, enables us to analyze our clients' objectives and to allocate the resources that we believe appropriate to satisfy our long-term objectives. Through our commitment to teamwork, we believe that we provide integrated services that benefit our clients.

Our capital markets group, which is divided into equity capital markets and debt capital markets, and our M&A and advisory group are responsible for the execution of specific client transactions as well as the building of client relationships. These industry and product groups provide a full range of investment banking products and services to our clients relying on specialized knowledge of industry-specific trends.

In line with the expansion of our global alternative asset management operations (excluding the effects of the acquisition of BSI in September 2015 and its subsequent sale in September 2016), we have built a global investment banking capability focused on emerging markets. Based in Europe, this capability seeks to leverage corporate and sovereign capital market and advisory opportunities across our global emerging market franchise.

Capital Markets

From January 1, 2013 through September 30, 2017, we acted as lead manager or bookrunner in transactions that have raised approximately R\$41.6 billion of capital for our clients in Brazil. We underwrite a wide range of equity and debt securities, including convertible securities.

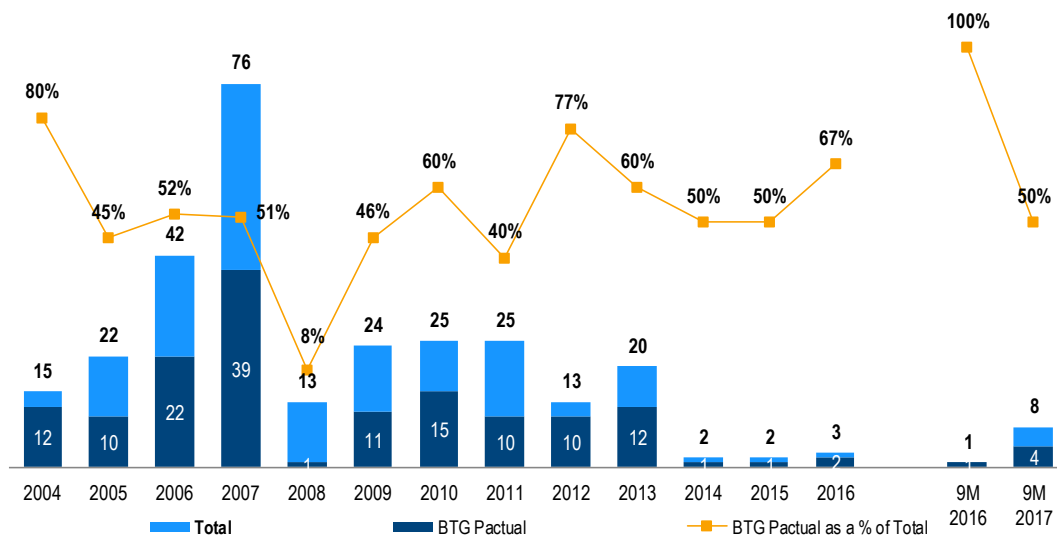
We believe that we are able to leverage opportunities with our corporate relationships through our equity and debt underwriting operations and the close working relationship between our investment banking and capital markets professionals and our sales team. We believe that we have relationships with a large and diverse group of Brazilian and other Latin American issuers as well as Brazilian, other Latin American and global investors.

Following the strengthening of our investment banking platforms in Chile and Colombia in 2012 and the commencement of operations in Mexico in 2013, we have consolidated our leadership position in equity capital markets in Latin America, principally in Chile, Peru, Colombia and Mexico. BTG Pactual's historical strength and our expanded local presence have bolstered our position as a leader in the region.

Equity Capital Markets

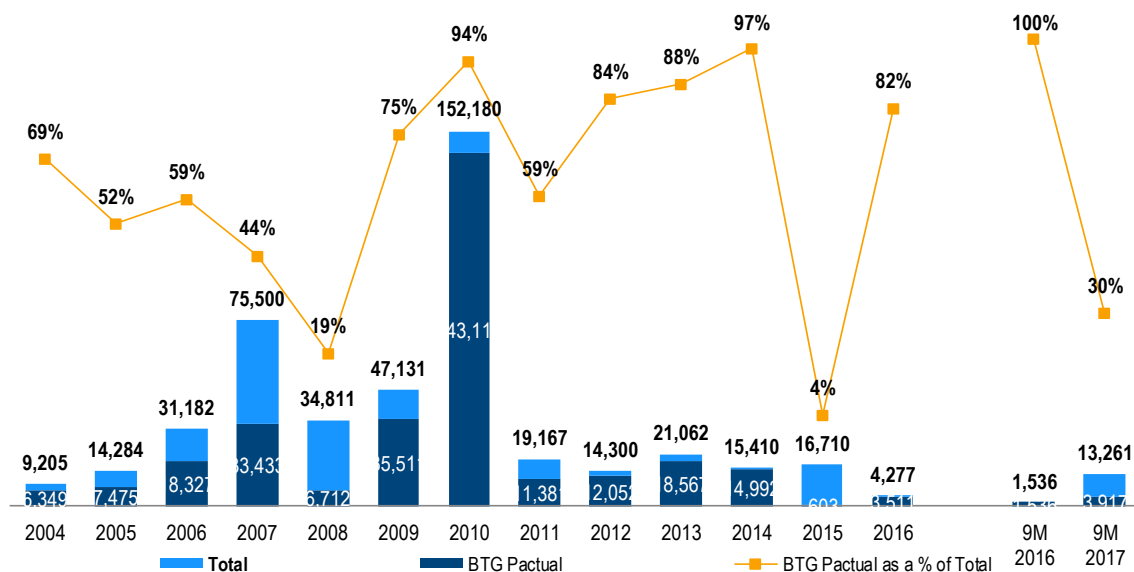
Equity underwriting has been one of our long-term core strengths and remains so in terms of market share despite challenging conditions in Brazil since 2014. Despite the challenging conditions over the last several years, we have experienced a positive resurgence in the equity capital markets in Brazil since the beginning of 2017. The following graphs show our position in equity underwriting in Brazil for the periods indicated:

Number of Transactions (Brazil)



Source: CVM

Volume (Brazil) (R\$ millions)⁽¹⁾⁽²⁾⁽³⁾



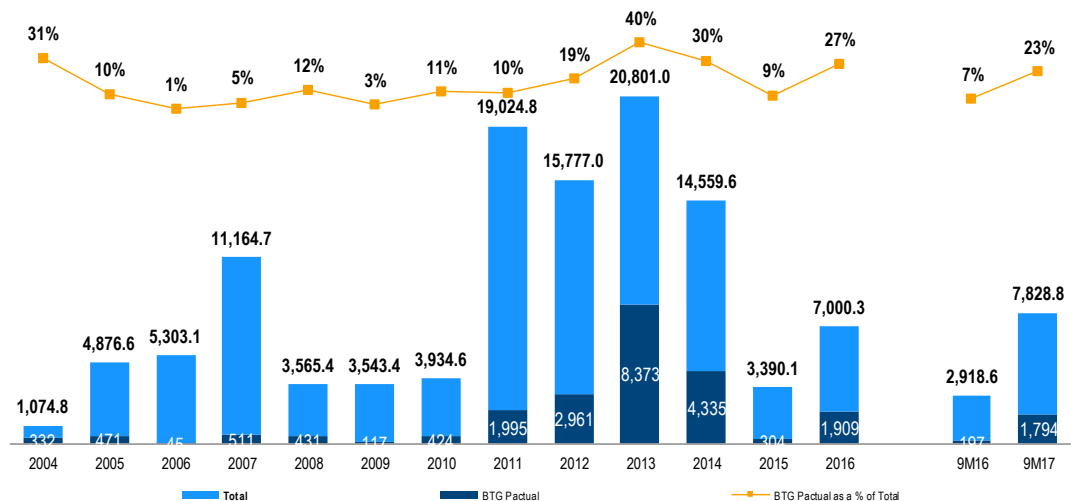
Source: CVM

- (1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.
- (2) Represents companies listed on B3 which are registered with the CVM.
- (3) Data for 2010 includes transactions in which we participated but that were credited to UBS AG and the Petrobras equity offering, which significantly increased our total transaction value in 2010 but did not generate a corresponding significant underwriting fee.

Following our Latin American initiatives in Chile, Colombia, Peru and Mexico, we have increased our presence in Latin American equity capital markets. For example, according to Dealogic, we achieved a 27% market share in Latin America in 2016 compared to a 9% in Latin America in 2015.

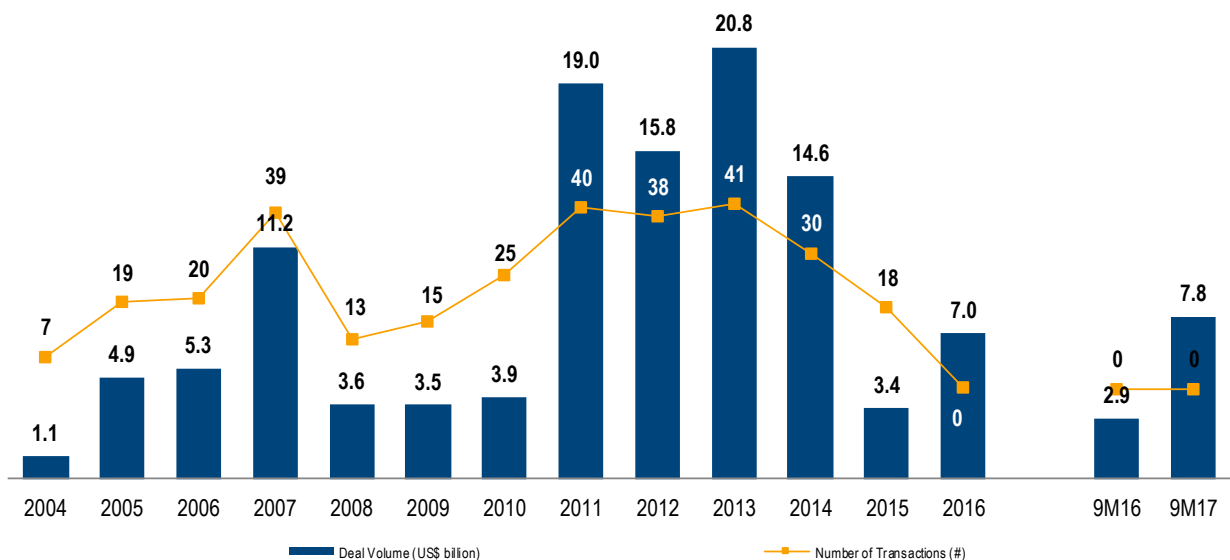
The following graphs sets forth our position in equity underwriting in Latin America (excluding Brazil) for the periods indicated:

Number of Transactions (Latin America ex-Brazil)



Source: Dealogic

Volume (Latin America ex-Brazil) (US\$ millions)⁽¹⁾⁽²⁾



Source: Dealogic

- (1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.
- (2) Data for 2004 to 2011 includes transactions from Celfin and Bolsa y Renta, which were acquired by us in 2012.

We believe our leadership reflects our expertise in capital markets transactions, the strength of our research team, our track record and our distribution capabilities.

Debt Capital Markets

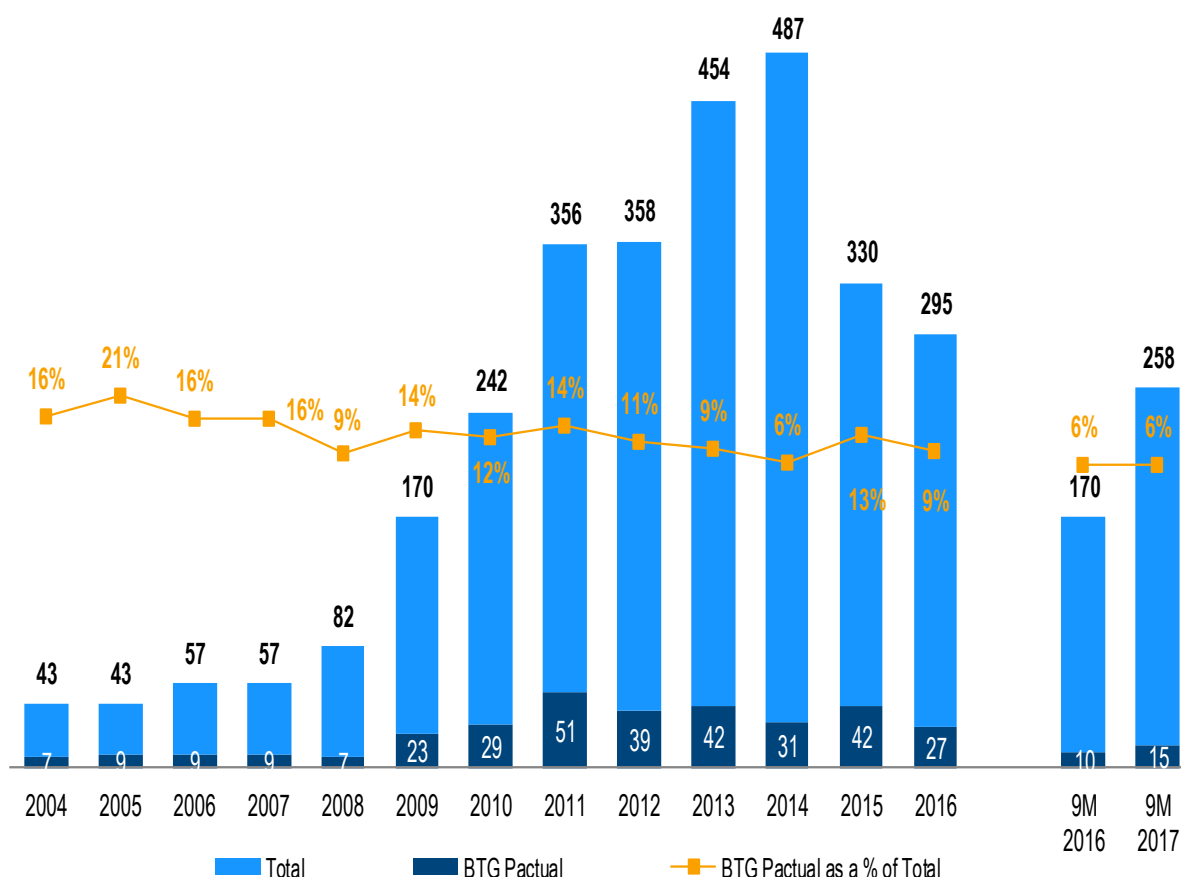
We engage in the underwriting and origination of debt securities and varying debt instruments for Brazilian and Latin American corporations and governmental entities, including convertible debt securities. In servicing our clients, we employ a focused approach to debt underwriting, emphasizing high value-added areas.

From January 1, 2013 through September 30, 2017, we served as lead manager or bookrunner in transactions that have raised approximately R\$19.3 billion of local debt proceeds for our clients.

Following the strengthening of our investment banking platforms in Chile and Colombia in 2012 and the commencement of operations in Mexico in 2013, we further consolidated our position in Latin American debt capital markets, primarily in Chile, Peru, Colombia and Mexico. We believe that our historical strength in debt capital markets and expanded local presence throughout Latin America will continue to facilitate a leading position in the region.

The graphs below set forth our position in the Brazilian debt capital market for the periods indicated:

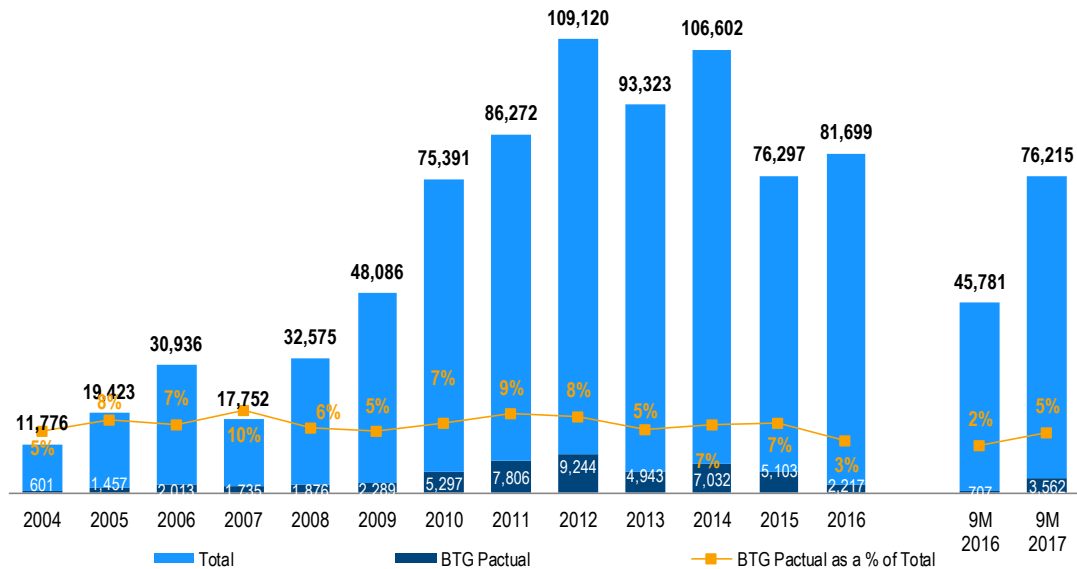
Number of Transactions (Brazil)⁽¹⁾



Source: ANBIMA

(1) Includes local fixed income origination transactions only.

Volume (Brazil) (R\$ millions)⁽¹⁾⁽²⁾



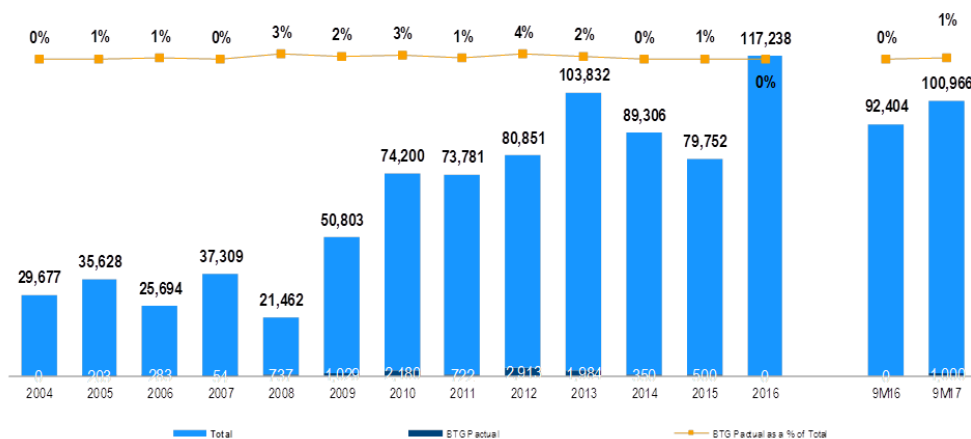
Source: ANBIMA

- (1) Includes local fixed income origination transactions only.
- (2) With respect to syndicated transactions, represents the total aggregate transaction value allocated to the underwriter syndicate participating in debt offerings and not only Banco BTG Pactual's portion of the total allocation.

Following our Latin American initiatives in Chile, Colombia, Peru and Mexico, we have expanded our presence in Latin American debt capital markets. Since debt capital market transactions are mainly led by local banks with strong balance sheet capabilities in their local markets, we believe that our expanded operations in Latin America, including for example, our banking licenses in Chile and Colombia, and commencing operations in Mexico, will further strength our position in the region.

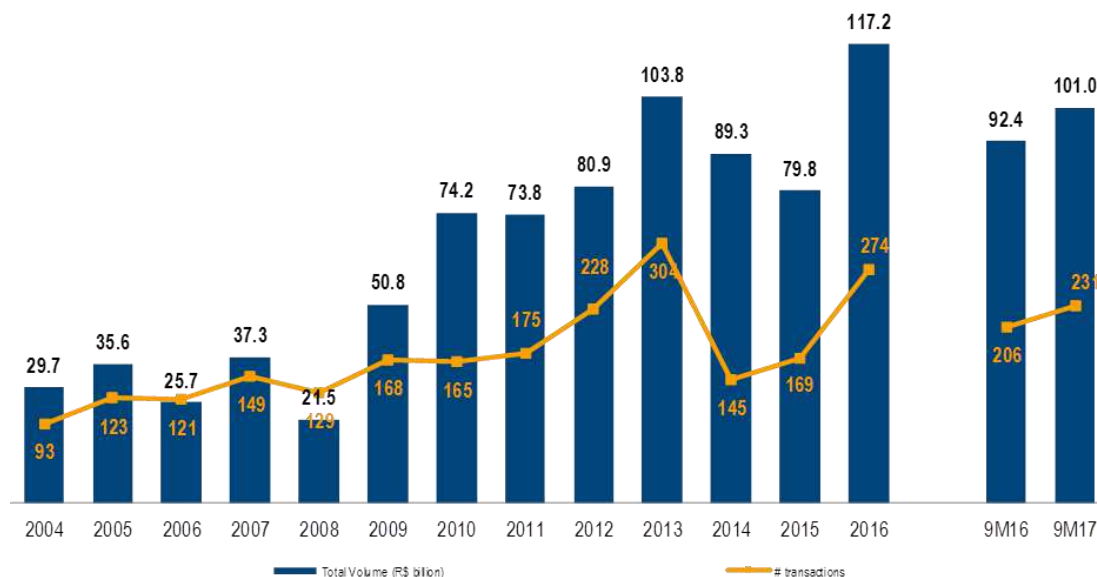
The following graphs sets forth our position in debt capital markets in Latin America (excluding Brazil) for the periods indicated:

Number of Transactions (Latin America ex-Brazil)



Source: Dealogic

Volume (Latin America ex-Brazil) (US\$ millions)⁽¹⁾⁽²⁾



Source: Dealogic

- (1) Represents the total aggregate transaction value, with the full deal amount allocated to each participating bookrunner.
(2) Data for 2004 to 2011 includes transactions from Celfin and Bolsa y Renta, which were acquired by us in 2012.

M&A & Advisory

We provide our clients with a broad range of advisory services with respect to mergers and acquisitions, divestitures, restructurings, reorganizations and spin-offs, generally involving Brazilian companies. We advised on more than 370 M&A transactions in Brazil from January 1, 2010 through September 30, 2017.

The following table shows the number of M&A transactions in Brazil in which we have acted as advisor and our market share for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
Brazil				
Number of Banco BTG Pactual transactions.....	43	45	24	22
Total number of transactions in the Brazilian market.....	572	676	671	442
Banco BTG Pactual transaction volume, in R\$ million.....	72,608	31,160	21,681	20,665
Total transaction volume in the market, in R\$ million ⁽¹⁾	181,682	147,530	189,081	174,418
% of Total⁽²⁾	40.0%	21.1%	11.5%	11.8%

Source: Thomson Financial

- (1) Assumes the full transaction value allocated to all financial advisors and not only our portion of the total allocation.
(2) Refers to the percentage of completed deals advised by us (both on sales and purchases) versus total deals completed in the period.

Investment banking is an example of how one of our activities can generate cross-selling opportunities for other areas. For example, a client advised by our M&A group may seek our assistance in obtaining financing associated with the transaction. This cross-selling is particularly advantageous in Latin America, where many

affluent families control a significant share of businesses and thus require a wide variety of financial services for both their personal wealth and the substantial businesses they control.

Following the strengthening of our investment banking platforms in Chile and Colombia through acquisitions since 2012 and the commencement of operations in Mexico in 2013, we have increased our presence in the Latin American M&A market. By expanding our local presence in the Andean region, we have been able to build relationships with several new corporate clients, advise on cross-border transactions within the region and facilitate the activity of our local M&A teams in the region.

The following table sets forth the number and volume of M&A transactions in Latin America, including Brazil, in which we have acted as advisor and our market share for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30
Latin America (including Brazil)	2014	2015	2016	2017
Number of Banco BTG Pactual transactions	47	50	31	28
Total number of transactions in the Latin American market	1,375	1,386	1,374	962
Banco BTG Pactual transaction volume, in R\$ million	75,010	35,269	66,334	38,275
Total transaction volume in the market, in R\$ million ⁽¹⁾	345,082	268,238	372,504	261,666
% of Total ⁽²⁾	<u>21.7%</u>	<u>13.1%</u>	<u>17.8%</u>	<u>14.6%</u>

Source: Thomson Financial

(1) Assumes the full transaction value allocated to all financial advisors and not only our portion of the total allocation.

(2) Refers to the percentage of completed deals advised by us (both on sales and purchases) versus total deals completed in the period.

Corporate Lending

Through our corporate lending business unit, we offer financing, structured credit, loans and guarantees to corporations, primarily in Brazil and increasingly throughout Latin America. The main focus of our corporate lending activities is to meet the demands of large corporations, developing solutions suited to the business profile and objectives of each client, such as cash flow management and mismatches between assets and liabilities.

We engage in a number of financing transactions in which we act as lender for various clients ranging from mid-size companies to larger investment grade companies. We believe that there are significant synergies between our corporate lending business and other business units and we seek to leverage our credit platform to deepen our relationships with existing corporate clients and expand our client base. We have provided loans to companies that we believe have potential to be leaders in their respective industry segments and also to certain private companies that we believe have potential to become publicly traded in the future.

The primary focus of our corporate lending business is to meet the demands of large corporations through the development of solutions tailored to the business profile and objectives of each client. We make loans to large corporate clients that are characterized by what we believe to be a very low probability of default. We also seek to identify credit arbitrages on loans and to acquire and capitalize on non-performing loan portfolios and legal claims. These arbitrages can arise in a variety of contexts, including from corporate turnarounds, collateral packages, guarantees or debtor-in-possession financing. Such transactions are characterized by higher yields and higher probability of default than our core corporate lending business. These transactions are typically smaller in size and we seek to offset their risks with comprehensive packages of guarantees and collateral. Our corporate lending unit is also responsible for our warehousing and securitization business, which focuses on real estate related products.

We believe that our operations in the Latin American markets will allow us to substantially increase our corporate lending activities as we will be able to serve our corporate clients more directly.

As of December 31, 2015, 2016 and September 30, 2017, our corporate lending credit portfolio amounted to a total of R\$35.3 billion, R\$24.3 billion and R\$28.1, respectively, which generated R\$983.4 million, R\$876.6 million and R\$627.6 million, respectively, representing 8.9%, 10.0%, and 15.1% respectively, of our total revenues.

Through our corporate lending business, we have extended loans to companies in the Brazilian construction sector that are subject to the *Lava Jato* investigations. See “Risk Factors—Risks Relating to Our Business and Industry—Ongoing high profile anti-corruption investigations in Brazil may adversely affect us.”

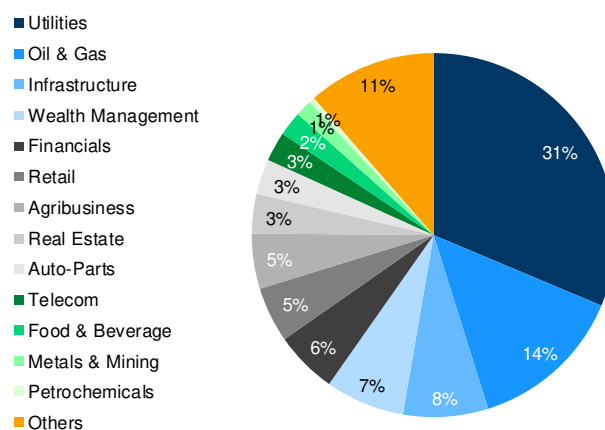
Organization

Our corporate lending activities are segmented into two main business lines: (i) origination and (ii) treasury products.

Our origination business activities are focused on identifying demand for loans to large Latin American and multinational companies with a presence in Latin America. Through our origination platform, we offer a broad range of credit products, including pass through of BNDES credit lines, export financing lines, working capital loans and financing for acquisitions.

Through our treasury products business line, we offer a variety of treasury products to our customers, providing sophisticated and innovative derivative products to help our customers manage market risk exposure to foreign exchange rates and interest rates. Through our structured operations, we also offer additional products for risk management in commodities markets. We believe that our broad range of treasury products offers clients comprehensive coverage for managing their onshore and offshore cash positions in accordance with their liquidity needs and the risk profiles of their businesses. In addition, we have expertise in structuring exclusive funds for our clients, through which we are able to offer additional products from our asset management business unit.

Set forth below is breakdown of our corporate lending portfolio by industry as of June 30, 2017, excluding Banco Pan and including certain off balance sheet items (loans, debentures, CRIs, FIDCs, FIPs, TDs, corporate bonds, letter of credit, commitments and others).



Sales and Trading

Through our sales and trading business unit, we offer financial products and services to a diverse group of clients in local and international markets, including market-making, brokerage and clearing services, and derivatives, interest rate, foreign exchange, equities, energy and commodities transactions for hedging and trading purposes. These activities are divided into two segments: (i) FICC (fixed income, currency and commodities) and (ii) equity sales and trading.

For the years ended December 31, 2015 and 2016 and for the nine months ended September 30, 2017, our revenues from our sales and trading unit were R\$4,806 million, R\$2,816 million and R\$1,698 million, respectively, representing 43.4%, 32.0% and 40.8%, respectively, of our total revenues.

FICC (Fixed Income, Currency and Commodities)

Our FICC area within our sales and trading unit is a large and diversified operation through which we engage in a variety of customer-driven market-making and trading activities.

We offer financial products and services to a diverse group of corporations, financial institutions, investment and pension funds, as well as governments in local and international markets and HNWI. These products and services include market-making for fixed income instruments, brokerage and clearing services, as well as derivatives, interest rates, foreign exchange and energy transactions for hedging and trading purposes. We also engage in a variety of customer-driven market-making activities, investing in a broad range of financial instruments, including debt securities, foreign exchange spots, swaps, options, futures, loans and non-deliverable forwards, insurance and reinsurance among others. We believe our willingness and ability to take calculated risks distinguishes us from most of our competitors and substantially enhances our client relationships.

Our financing activities in FICC consist of (i) undertaking a high volume of transactions with modest spreads in large and highly liquid markets, (ii) capitalizing on our strong market relationships and capital position to engage in transactions in less liquid markets in which spreads are generally larger, and (iii) structuring and executing a wide range of transactions linked to fixed income products, currencies and commodities in accordance with our clients' needs.

We provide multi-product brokerage, clearing and custody services in the Latin American market to a diversified customer base, including hedge funds, pension funds and HNWI. These activities generate commissions through the execution of agency transactions on futures and commodities exchanges. Such agency transactions are executed for our clients located throughout the world.

One of our core FICC activities is market-making in a broad array of securities and financial products. For example, we act as a dealer in currencies for the Central Bank and as primary and specialist dealer in government bonds for the Central Bank and the Brazilian National Treasury. We believe that making markets in a broad range of fixed income, currency and commodity products and related derivatives for our clients is crucial both to maintain our client relationships and to support our underwriting business by providing secondary market liquidity. We believe our clients value counterparties that are active in the marketplace and are willing to provide liquidity and research-based approaches. In addition, we believe that our significant investment in research capabilities and proprietary analytical models are critical to our ability to provide quality advice to our clients. Our research capabilities include quantitative and qualitative analyses of global economic, currency and financial market trends, as well as credit analyses of corporate and sovereign fixed income securities.

We are active in the listed options and futures markets, and we structure, distribute and execute over-the-counter derivatives on market indices, industry groups and individual company stocks to facilitate customer transactions and our proprietary trading activities. We develop quantitative strategies and render advice with respect to portfolio hedging and restructuring and asset allocation transactions. We also create especially tailored instruments to enable sophisticated investors to undertake hedging strategies and establish or liquidate investment positions. We are one of the leading participants in the trading and development of derivative instruments in Brazil. We are an active participant in the trading of futures and options in B3, and we also trade on most of the major exchanges in Latin America, the United States, Europe and Asia.

Equity Sales and Trading

We make markets and take large positions in certain equity securities to facilitate customers' transactions and to provide liquidity in the marketplace. We operate in most of the major stock exchanges, including B3, NYSE, LSE and HKEx.

Acting as an agent, we execute brokerage transactions in equity securities for institutional and individual customers located throughout the world. In recent years, aggregate commissions derived from our brokerage

services have increased as a result of growth in transaction volumes on the exchanges, despite the significant impact the global financial crisis had on the world economy. We were one of the largest equity brokerage houses in Brazil in terms of total volume traded in 2013, according to *Data Trader*, and have subsidiaries qualified as broker-dealers located in New York, London, Chile, Peru, Colombia and Mexico.

We also provide securities lending services through the borrowing and lending of equity securities to cover our clients' as well as our own short sales and to finance our long positions. Lenders of securities include pension funds, mutual funds, insurance companies, investment advisors, endowments, banks and individuals. We have relationships with certain strategic lenders that provide us with access to large pools of securities.

Our equity trading activities consist of undertaking on behalf of our clients a high volume of transactions with modest spreads in liquid markets such as the over-the-counter market for equity securities. We also undertake large transactions, such as block trades and positions in securities, in which we benefit from spreads that are generally larger. Finally, we structure and execute complex equity-linked transactions in accordance with our clients' needs.

We believe that major investors worldwide recognize us for our value-added sales and trading services, which are highly rated in client polls across the Americas, Europe and Asia. Our sales and trading teams were named within the top two sales and trading services teams in Brazil by *Institutional Investor* from 2012 to 2017; and within the top two sales and trading services teams in Latin America by *Institutional Investor* from 2013 to 2017, sustaining their leadership positions in their respective markets.

Research

Our research team provides fundamental research on equity, commodities, interest rates and currencies markets, macroeconomic trends, industries and companies, primarily in Latin America. We have developed an industry-leading position for our investment research products. We believe that our investment research capabilities are a significant factor in our strong competitive position in equity trading.

We believe that major investors worldwide recognize us for our value-added research products, which are highly rated in client polls across the Americas, Europe and Asia. Our equity research team was named by *Institutional Investor* among the best research teams in Brazil from 2006 to 2016 and in Latin America from 2012 to 2016.

Our research team provides equity research coverage on approximately 230 companies in Latin America, 20 different business sectors and seven economies. This is accomplished through three groups:

- *the Macroeconomic Research group*, which formulates macroeconomic forecasts for global economic activity and currencies, interest rates and commodities markets;
- *the Equities Research group*, which (i) forecasts equity market returns and provides recommendations on both asset allocation and industry representation, and (ii) provides fundamental analysis, forecasts and investment recommendations for companies and industries in Latin America; and
- *the Fixed Income Research group*, which provides credit analysis and investment recommendations for companies and markets in Latin America.

We do not record any revenues from our research activities. Our research team provides useful information to our business units as well as our clients in connection with a broad range of financial products and services.

Asset Management

We offer asset management services across major asset classes to Latin American and other international clients. Our products include fixed income, money market, equity, multi-asset and private equity funds (including funds wholly-owned by us and PPLA both in Latin America and elsewhere). Our funds are tailored to meet our clients' needs. We have funds targeted at a broader public such as those distributed by third party distribution

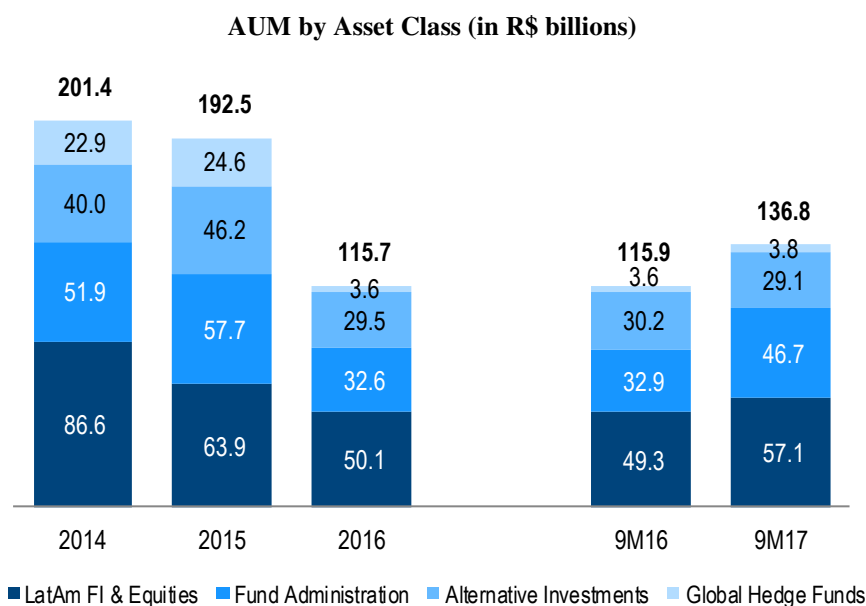
channels and also exclusive funds or funds restricted to a limited number of clients. In addition, we provide fund administration services to third parties.

As of September 30, 2017, we had AUM in the amount of R\$136.8 billion, making us one of the largest asset managers in Brazil, according to ANBIMA. In addition, according to ANBIMA, as of September 30, 2017, we are the tenth largest financial institution in Brazil in terms of AUM, competing against large retail banks such as Banco do Brasil, Itaú Unibanco, Bradesco, Caixa and Santander, which are each supported by a large network of branches throughout Brazil.

We continuously invest in our asset management businesses throughout Latin America in order to further integrate them into our global platform and provide products and solutions to a wide range of clients in the Andean region, including pension funds, insurance companies, family offices and HNWI.

In order to further enhance our presence in the region and expand our asset management platform, we have obtained an asset management operation license in Mexico and Argentina. By further expanding our operations, we believe we can leverage our business contacts within the region and offer a wide portfolio of products focused on emerging markets for private and institutional clients within the region.

The following graph sets forth our combined AUM and AUA by asset class and the change in our portfolio of AUM and AUA as of the closing dates for each of the specified periods, excluding the impact of BSI:



For the years ended December 31, 2015 and 2016 and for the nine months ended September 30, 2017, revenues from our asset management business unit were R\$1,252.2 million, R\$539.6 million and R\$317.1 million, respectively, representing 11.3%, 6.1% and 7.6% of our total revenues, respectively.

Organization

We have continuously adapted the organizational structure of our asset management unit to meet market trends and our clients' needs.

Our asset management business unit is divided into management and fund administration services. Our management services consist of managing the portfolio of the funds on a discretionary basis. Our fund administration services consist of calculating the net asset value of the funds and rendering other services such as monitoring the compliance of the fund with the applicable regulation and providing operational control of the assets underlying the portfolios. We believe that the broad range of services provided by our asset management unit grants us an important competitive advantage.

Our primary clients include HNWI and institutional clients. Our institutional clients include pension funds, corporations, insurance companies and financial intermediaries (third party distribution). We have an extensive and diversified client base and do not significantly depend on any particular client. The diversification of our client base is an essential aspect of our business strategy.

The table below shows the breakdown of our AUM and AUA by client type:

	For the year ended December 31,						For the nine months ended September 30,	
	2014	% of total	2015	% of total	2016	% of total	2017	% of total
	(in R\$ billions, except percentages)							
HNWI	40.9	20.3%	43.0		35.2		38.9	28.4%
Institutional	23.9	11.9%	23.1		10.5		9.2	6.7%
Financial intermediaries (third party distribution)	12.9	6.4%	5.2		4.6		4.4	3.2%
Corporations	23.1	11.5%	11.9		10.1		9.9	7.2%
Fund Services	34.4	17.1%	38.0		13.4		30.7	22.4%
Other	66.2	32.9%	71.2		41.9		43.8	32.0%
Total	<u>201.4</u>	<u>100%</u>	<u>192.5</u>	<u>100%</u>	<u>115.7</u>	<u>100%</u>	<u>136.8</u>	<u>100.0%</u>

We distribute our funds through the distribution channels of our asset management and wealth management business units as well as through banks, brokerage firms and other financial intermediaries. We have strategic distribution agreements with major banks in Brazil, including Banco Citibank S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Bradesco S.A., pursuant to which we pay fees for clients originated by these distribution channels.

We consider a strong and well-known asset management unit to be important not only for attracting new clients, but for providing our existing clients with a premium service.

Management of Funds

Our subsidiary BTG Pactual Asset Management is dedicated exclusively to providing asset management services through our investment funds and managed portfolios. The portfolio of products includes Latin American funds, emerging market funds and global funds, and we have specific products for a wide range of clients. BTG Pactual Asset Management was one of the largest asset managers in Brazil, according to ANBIMA, with AUM in the amount of R\$136.8 billion as of September 30, 2017.

Our investment products include fixed income and equity funds, equity funds, multi-asset funds, structured funds and private equity funds, both in Latin America and globally.

Fixed Income and Equity Funds. As of September 30, 2017, we had R\$57.1 billion under management invested in fixed income and equity funds.

Global Hedge Funds. As of September 30, 2017, we had R\$3.8 billion under management invested in multi-asset funds. These funds have hybrid portfolios composed of a mix of fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities, mortgages and interest rates.

Alternative Investments (Private Equity and Real Estate Funds). As of September 30, 2017, we had R\$29.1 billion under management invested in alternative investments, composed of private equity and real estate investments, through funds or other investment vehicles. Our private equity business pursues long-term investments in equity and debt securities, mostly in privately held companies, purchased in privately negotiated transactions. Our strategy with respect to each private equity business is to invest opportunistically and to build a portfolio of investments that is diversified by industry, product type and transaction structure and type. Our private equity business seeks to leverage our long-standing relationships with companies, investors, entrepreneurs and financial intermediaries around the world to source potential investment opportunities. In addition, our private equity business, including its portfolio companies, have generated business for our other business units, including equity

underwriting, leveraged and other financing, fees and merger advisory fees. While potentially risky and frequently illiquid, our private equity activities, when successful, can yield substantial returns on capital for the investors and generate attractive management and performance fees for us.

Our investment professionals identify, manage and sell investments on behalf of our private equity funds. In addition, our private equity professionals work closely with other of our business units, where they can benefit from the expertise of specialists in debt and equity research, investment banking, leveraged finance and equity capital markets.

Our real estate investment team identifies and executes investment opportunities in diverse projects and assets, including residential and commercial construction projects, shopping centers and commercial buildings for lease. The team is made up of experienced real estate and finance professionals, allowing a detailed analysis of the economic viability of each project or asset in order to be able to select the best investment opportunities.

Fund Administration or Fund Services

Through BTG Pactual Serviços Financeiros, we provide a broad range of financial services to our clients in respect of both onshore and offshore funds, including:

- calculation of net asset value, which is the cumulative market value of the fund's assets net of its liabilities;
- asset pricing;
- registrar and transfer agent services;
- control of the fund's fees (management and performance fees) and other expenses;
- reporting on the fund's portfolio composition;
- preparation of monthly reports for the fund's clients; and
- calculation of any tax that may be imposed on the funds.

As administrator of the funds, we are also responsible for providing any information regarding the funds to regulators such as the Central Bank and the CVM and to ANBIMA as the self-regulatory authority.

According to data published by ANBIMA September 30, 2017, BTG Pactual Serviços Financeiros was the tenth largest fund administrator in Brazil, with AUM in the amount of R\$136.8 billion as of September 30, 2017.

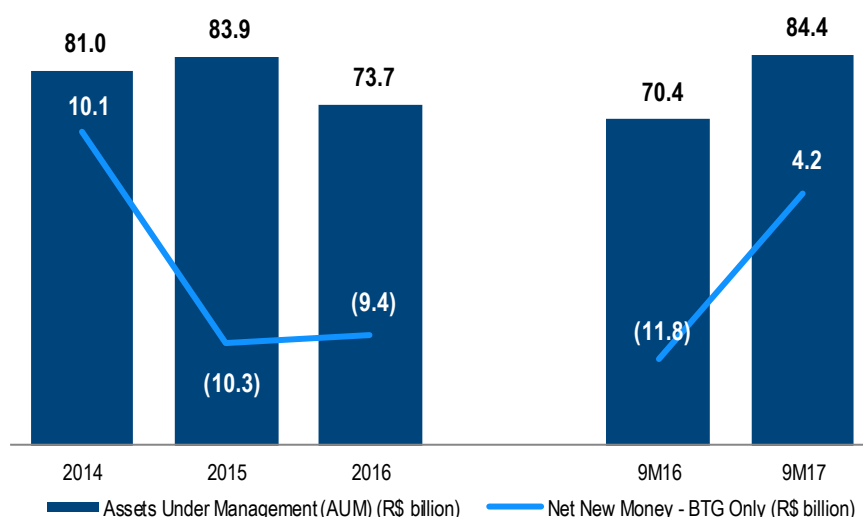
Wealth Management

We provide investment advisory and financial planning services and offer investment products to HNWI primarily located in Latin America, with a concentration of clients in Brazil, Chile, Peru, Colombia, Mexico and Argentina. These services are provided through separately managed accounts as well as multi-investor vehicles across diverse financial asset classes, through both funds managed by our asset management team and funds managed by other financial institutions or asset managers. We also offer other services to our wealth management clients such as wealth planning, loans and bank guarantees and family office services.

As of September 30, 2017, our wealth management unit managed approximately R\$84.4 billion in assets. According to data published in a private banking survey by *Euromoney* from 2012 to 2014, BTG Pactual Wealth Management was among the top three in the category of best private banking services (overall) in Brazil.

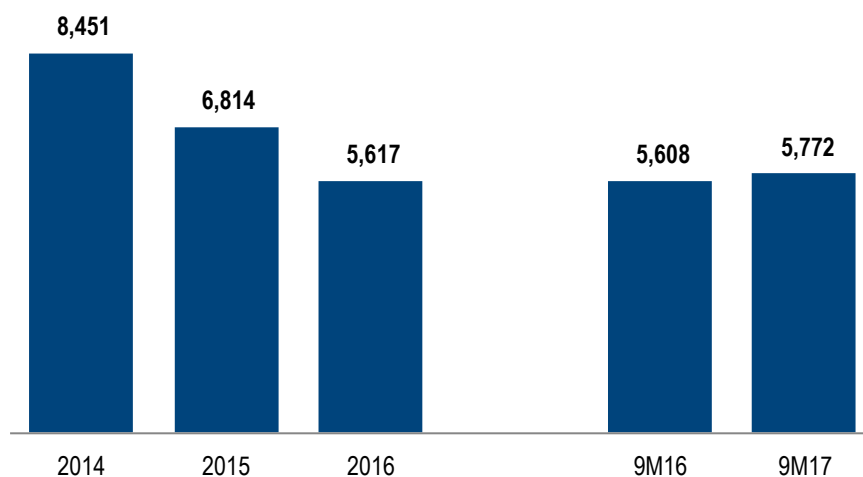
For the years ended December 31, 2015 and 2016 and for the nine months ended September 30, 2017, revenues from our wealth management business unit were R\$464.4 million, R\$336.2 million and R\$270.3 million, respectively, excluding any revenues from the BSI acquisition.

The following graph sets forth an overview of our wealth management portfolio and net inflows/outflows, excluding the effects of BSI, for the dates indicated below:



As of September 30, 2017, we had 5,772 wealth management clients, representing 2,903 economic groups for whom we managed an average of R\$21.1 million each. We have an extensive and diversified client base and do not significantly depend on any particular client. The diversification of our client base is an essential aspect of our business strategy.

The graph below shows the number of clients in our wealth management portfolio at the dates indicated:



We recently launched our online business platform, BTG Pactual Digital. This online platform primarily focuses on offering several BTG Pactual products similar to those that we offer to our wealth management clients, including access to our or third party investment funds, fixed income products and private pension plans.

Organization

Our wealth management model is based on customized and pro-active client service through our specialized client advisors. Each client advisor attends to a limited number of clients, offering a range of financial products and personalized services according to each client's needs. Our client advisors are expected to understand

their clients' needs, financial expectations and risk tolerance. Periodic reviews allow our client advisors to help clients monitor their portfolios and adapt to changing conditions. Client advisors are principally organized by client market, which allows them a higher level of client focus. We believe that this approach fosters long-term client relationships.

Our client advisors retain primary responsibility for increasing the penetration of wealth management service products within our existing customer base by introducing products and services and for generating new clients throughout Latin America.

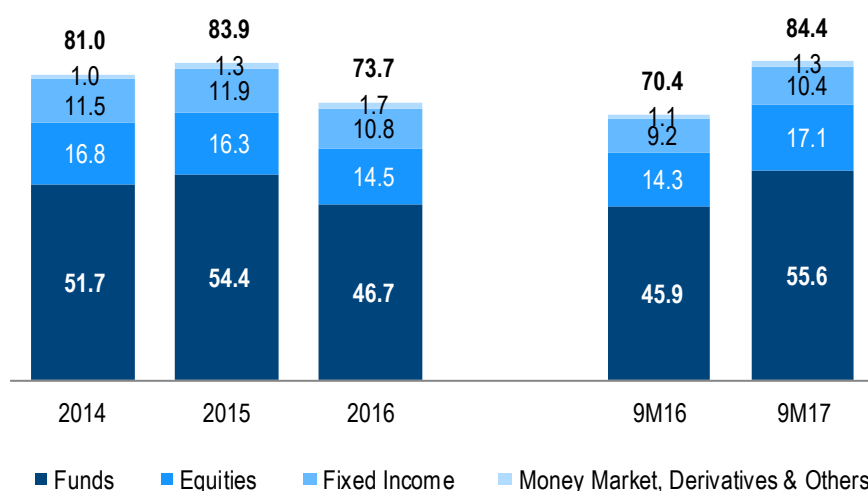
We provide a number of asset-based, transaction-based and other services to clients. Asset-based services include custodial services, deposit accounts, loans and fiduciary services, and transaction-based services include trading and brokerage and investment fund services. Wealth management also provides financial planning and consulting services. These services include establishing proprietary trusts and foundations, the execution of wills, corporate and personal tax structuring and tax efficient investments.

Financial Planning and Wealth Management. Develops integrated comprehensive wealth management services in the form of tax and estate planning, liquidity and retirement lifestyle planning, insurance products, real estate advisory services and a variety of sophisticated capital enhancement and asset protection strategies.

Financial Advisory. Provides advisory services and solutions to clients who are entrepreneurs or company owners, including funding options and advice on structuring mergers and acquisitions.

Family Office. Provides a consolidated position of investments with a view to provide complete tax and estate planning advice.

The following graph shows information concerning WUM, presented in R\$ billions, by asset class in wealth management in the periods indicated:



Principal Investments

We continue to hold stakes in other companies which were originated from our historical principal investments activities, which is no longer a strategic focus of ours.

We have been reducing, through divestment of assets, our exposure in relation to certain of our principal investment activities, mainly our merchant banking, private equity and real estate investments. Given this trend, our principal investments have been significantly streamlined, and are now focused on the allocation of excessive proprietary capital, legacy investments and seed capital in certain funds as a minority investor up to specified limits.

Following the divestment and sale of several assets in our historical merchant banking investment portfolio, our current Principal Investments activities relate mainly to (i) seed money in our investment products as a minority investor, with the objective that any such investments usually represent less than 10% of our total investments; (ii) an investment of 17% of our infrastructure fund; (iii) small investments in real estate funds; and (iv) legacy assets, which comprise (a) PetroAfrica, a joint venture with Petrobras International Braspetro B.V. for oil and gas exploration and production in Africa, (b) Eneva S.A., a fully integrated energy company in Brazil, with businesses in power generation, energy commercialization, and exploration and production of hydrocarbons, and (c) BW Properties, a joint investment with WTorre Properties S.A. for real estate development focused on commercial development and long-term real estate investments.

Our principal investments also include proprietary investment activities involving a wide range of financial instruments, including merchant banking and real estate investments in Brazil, as well as a variety of financial investments in global markets. Our principal investments are primarily managed by our asset management group.

We have proprietary investments in a diversified range of financial instruments across multiple asset classes and geographic regions. Our principal investments teams responsible for the management of such investments are located in São Paulo, Rio de Janeiro, New York, London, Santiago, Lima, Bogota, Mexico City and Buenos Aires. These teams focus on both developed and emerging markets, allocating capital across various underlying strategies that include a mix of emerging markets and global macro themes, including fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities and mortgages.

Our principal investments also involve arbitrage activities, by investing in a broad range of financial and equity instruments. The strategy of activities is based on making global investments through a diversified portfolio across different markets and event categories. Our investment decisions are the product of rigorous, fundamental, situational and regulatory and legal analysis.

For the nine months ended September 30, 2017, our Principal Investments unit recorded a gain of R\$104.0 million.

Participations

Certain of our investments are characterized as Participations, and, as of September 30, 2017, they included: (i) a co-controlling interest in Banco Pan, a commercial and consumer bank, focused on loans, consumer credit and payment-deducted loans and middle market loans; (ii) a 30% ownership interest in EFG, which we retained following the acquisition of BSI by EFG; (iii) a 51% ownership interest in Pan Seguros, a Brazilian insurance company providing insurance to individuals for personal property related claims; (iv) 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments; and (v) an approximately 19.1% ownership interest in Engelhart CTP, a global commodities trading platform which we spun-off in 2016 but continue to hold an investment in.

In the nine months ended September 30, 2017, we recorded a loss of R\$9.0 million from our Participations business unit.

Banco Pan

In May 2011, we purchased 100% of the shares in Banco Pan held by Grupo Silvio Santos for R\$450.0 million, representing a 37.64% stake in Banco Pan (composed of 51.00% of its voting shares and 21.97% of its non-voting shares). In connection with this acquisition, we and CaixaPar entered into a shareholders agreement which establishes the conditions for the shared control of Banco Pan. In addition, CaixaPar reiterated its commitment to preserve its strategic alliance with Banco Pan by entering into a cooperation agreement under which CaixaPar has agreed to acquire credits originated by, and invest in deposits issued by, Banco Pan, thus helping to support its future business. Banco Pan and CaixaPar also intend to expand the range of the financial products and services they offer through leveraging their distribution channels.

The banking supervision and compliance with regulatory capital requirements of Banco Pan are performed and measured on a segregated basis from those of ours. Accordingly, we calculate our regulatory capital without giving effect to the assets and liabilities, risks and financial position of Banco Pan, and we do not perform the

proportional consolidation of Banco Pan into our balance sheet. This results in each of us and Banco Pan continuing to calculate the respective regulatory capital requirements on a stand-alone basis, as two independent banking entities.

In November 2010, prior to our acquisition, Banco Pan disclosed that a series of accounting inconsistencies had been uncovered at Banco Pan which resulted in losses totaling R\$2.5 billion. Upon such announcement, Grupo Silvio Santos and CaixaPar sought to prevent new inconsistencies by electing a new management team at Banco Pan. In addition, Grupo Silvio Santos agreed to make Banco Pan whole for such losses by injecting R\$2.5 billion of capital. Subsequently, additional financial irregularities totaling R\$1.3 billion and other adjustments totaling R\$500 million were identified. As a consequence, on January 31, 2011, Grupo Silvio Santos injected an additional R\$1.3 billion into Banco Pan and agreed to sell its stake in Banco Pan to us. We elected new officers and directors of Banco Pan in April 2011.

As a result of the aforementioned problems, which demonstrated significant weaknesses and irregularities of the existing accounting systems and internal controls of the institution, Banco Pan executed important investments in technology and processes in order to improve operational and competitive conditions of the bank.

We record the results of operations from Banco Pan using the equity method of accounting, pursuant to which our share of Banco Pan's net income or net losses, as deducted by accumulated loss adjustments relating to previous periods, is recognized in our income statement as equity pick-up from associates.

As of the date of this Offering Memorandum, we and CaixaPar are joint holders of all voting shares and 80.7% of Banco Pan's total capital stock.

Since the appointment of the current management team by the controlling shareholders in May 2011, Banco Pan has strategically diversified its business through a general restructuring, expanding products and services to focus on the following operating segments:

- *Consumer Lending.* Banco Pan offers credit for all automotive vehicle categories, including new cars, used cars, motorcycles and heavy vehicles.
- *Payroll Deduction Loans.* In this market segment, Banco Pan's business is focused on loans to pensions in Brazil's social security system, or INSS. In this sector, Banco Pan operates mainly through agreements with state governments, municipalities, military and government agencies. The main distribution channels for this sector are the correspondent banks that have direct access to the INSS.
- *Corporate Loans.* Banco Pan focuses its corporate loan business on customers with annual revenues between R\$100 million and R\$500 million, and seeks to focus on portfolio diversification. The main products offered are: (i) discounted trade bills; (ii) bank guarantees; and (iii) advances on exchange and export contracts, among others.
- *Real Estate.* Banco Pan's main activities in the real estate industry include: (i) personal real estate financing for individuals; (ii) the acquisition of real estate receivables; and (iii) the issuance of mortgage backed securities.
- *Credit Cards.* Banco Pan has implemented a number of initiatives intended to improve its credit card base, including the redesign of its activation procedures and improvements to its Maxi Bônus rewards program and the loan recovery processes.

Pan Seguros

As of the date of this Offering Memorandum, we hold a 51.0% ownership interest in Pan Seguros, a Brazilian insurance company providing personal property insurance to individuals. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition of Pan Seguros and Pan Corretora from Banco Pan"

Pan Corretora

As of the date of this Offering Memorandum, we hold a 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition of Pan Seguros and Pan Corretora from Banco Pan”

Competition

The financial services industry, and all of the businesses with which we operate, are intensely competitive, and we expect them to remain so. Our competitors are other investment banking and financial advisory firms, broker-dealers, commercial and universal banks, insurance companies, investment management firms, hedge fund management firms, merchant banking and private equity firms and other financial institutions. We compete with some of our competitors globally and with others on a regional, product or niche basis. We compete on the basis of a number of factors, including quality of personnel, transaction execution skills, investment track record, quality of client service, individual and institutional client relationships, absence of conflicts, range of products and services, innovation, brand recognition and business reputation.

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wider range of products than we offer and have more extensive investment banking, principal investments, asset management and wealth management services, which may enhance their competitive position. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors.

We also face intense competition in attracting and retaining qualified employees and other personnel in each of our business units. We compete on the level and nature of compensation and equity-based incentives for key employees and other personnel. Our ability to continue to compete effectively in each of our business units will depend upon our ability to attract new highly qualified employees and retain and motivate our existing talent.

We believe that our main competitors (including their affiliates) across the seven business units in which we operate include the following:

Investment Banking. BB Banco de Investimento S/A, Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A., N M Rothschild & Sons Limited, Banco Santander (Brasil) S.A., IM Trust S.A. (Credicorp), JP Morgan Corredores de Bolsa SPA (Chile) and Deutsche Securities Corredores de Bolsa SPA (Chile);

Corporate Lending. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Santander (Brasil) S.A., Itaú Unibanco S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., HSBC Bank Brasil S.A. Banco Múltiplo and Corpbanca S.A.;

Sales and Trading. Banco do Brasil S.A., Banco Bradesco S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A., Banco Santander (Brasil) S.A., Larrain Vial S.A. Corredora de Bolsa and Itaú BBA Corredor de Bolsa Limitada;

Principal Investments. Banco do Brasil S.A., Banco Bradesco BBI S.A., Banco Merrill Lynch de Investimentos S.A., Banco Citibank S.A., Banco Credit Suisse (Brasil) S.A., Deutsche Bank S.A. Banco Alemão, Goldman Sachs do Brasil Banco Múltiplo S.A., HSBC Bank Brasil S.A. Banco Múltiplo, Banco Itaú BBA S.A., Banco J.P. Morgan S.A., Banco Morgan Stanley S.A. and Banco Santander (Brasil) S.A.;

Participations. Banco Votorantim S.A., Banco Bradesco S.A., Banco Safra S.A., Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Santander (Brasil) S.A.;

Asset Management. Banco do Brasil S.A., Itaú Unibanco S.A., BRAM Bradesco Asset Management S.A. DTVM, HSBC Bank Brasil S.A. Banco Múltiplo, Banco Credit Suisse (Brasil) S.A. BNY Mellon Serviços Financeiros DTVM S.A., Moneda Asset Management, Euroamerica Administradora General de Fondos S.A. and Itau Chile Administradora General de Fondos S.A.; and

Wealth Management. Itaú Unibanco S.A., Banco Credit Suisse (Brasil) S.A., Banco do Brasil S.A., Banco Opportunity S.A., Banco Bradesco S.A. and Banco Safra S.A.

Risk Management

In the ordinary course of our business, we are exposed to various risks inherent to banking activities. The way we manage these risks directly affect our activities and operations and, consequently, our results of operations and financial condition. Some of the most significant risks to which we are exposed to include market risk, liquidity risk, credit and counterparty risk, tax risk, operational risk and legal and regulatory risk.

Our management of these risks involves different levels of our management team and encompasses a series of policies and strategies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. In addition, a number of our committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees (including their subcommittees), meet regularly and consist of senior members of both our business units and areas that are independent of our business units.

Information Technology

Information technology is an essential component of our business growth, and thus our information technology architecture has continuously been developed to increase the efficiency and reduce the operational risk of our business processes. Over the years we have developed a comprehensive and fully integrated system platform that supports all business lines, which we believe to be perfectly fitted to the Brazilian and international markets.

We have two main data centers, one in Rio de Janeiro and one in São Paulo, which are configured to act as back-up sites to each other. In addition to the Brazilian data centers, we have two others in New York and London to support our international business operations locally as well as function as back-up sites globally.

We believe that our security policy is well-disseminated among and adhered by our personnel. This policy regulates the access and use of all our information technology resources by our personnel, and encompasses human, physical and logical security requirements, as well as encrypted resources.

We are currently designing and developing what we consider to be a next generation platform to support the growth of our business for the next decade. The strategic projects that have been executed include the implementation of the leader Enterprise Resource Planning (ERP) system, the use of virtualization to optimize the use of the servers and the redesign of our international system platform to better support our international expansion.

Marketing

We believe that the strong recognition of our brand is primarily the result of the strong and transparent image we have built with our clients and the awards that we have received, such as being named among the Best research teams in Brazil from 2006 to 2016 and the Best Research Team in Brazil in 2017, and one of the Best Research Teams in Latin America from 2012 to 2016, as well as Best Equity Sales team in Brazil in 2017 by *Institutional Investor* in 2017; Best Investment Bank in Brazil and Best Wealth Management Provider by *World Finance* in 2017; Best Investment Manager in Brazil, Chile and across Latin America in 2017 by *Euromoney Magazine*; Best Family Office Services in Brazil, Best Investment Banking Capabilities, Best Asset Management

Capabilities and Best Research and Asset Allocation Advice, each in 2016 by Euromoney Magazine; Wealth Management Company of the Year in 2017 by The European; Best Variable Income Fund Manager in Brazil by Standard & Poor's and *Valor Econômico*. We believe that our strong recognition also helps us to attract new clients without significant marketing initiatives and signals our expertise in the market. Our marketing efforts are usually limited to specific and focused marketing events.

Human Resources

As of September 30, 2017, our personnel consisted of 2,212 employees (including full time employees, interns and outsourced employees) who perform a number of different supporting activities.

The table below shows the number of such individuals by geographic location as of the dates indicated:

Location	As of December 31,			As of
	2014	2015 ⁽¹⁾	2016	September 30, 2017
Brazil				
Rio de Janeiro	530	515	387	360
São Paulo	961	967	822	817
Belo Horizonte	6	5	3	3
Porto Alegre	14	15	10	4
Recife	6	7	4	4
Brasília	6	4	3	3
Curitiba	9	13	14	4
Salvador	5	4	—	—
Cuiabá	5	7	6	—
Rio Verde	—	4	5	—
Varginha	4	7	8	—
Querência	1	1	1	—
Sorriso	5	9	10	—
Paranaguá	1	—	—	—
Ribeirão Preto	5	6	—	—
Santos	10	14	14	—
New York	150	157	95	93
Stamford	94	107	100	1
London	250	304	207	57
Chile	396	370	293	296
Peru	34	37	21	19
Colombia	285	296	256	249
Mexico	25	40	34	32
Argentina	14	16	24	12
Other locations	239	345	310	45
Outsourced	175	189	262	213
Total	3,230	3,439	2,889	2,212

(1) Does not reflect BSI employees.

In order to meet Central Bank's requirements, as well as improve the quality of our credit products, we regularly provide classes, seminars and conferences for our personnel in their respective areas of expertise, including classes related to the prevention of money laundering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Legal and Regulatory Risk." We also regularly provide financial support to other classes and seminars requested by our personnel that we deem useful for our business operations.

In 2015, 2016 and the nine months ended September 30, 2017, we had personnel expenses of R\$1,633.9 million, R\$1,676.6 million and 480.6 million, respectively, including expenses in connection with salaries, payroll charges and benefits. These benefits include: (i) meal vouchers, (ii) food vouchers, and (iii) medical and dental insurance. We also maintain a profit sharing plan regulated by a collective bargaining agreement with the National Banks Federation (*Federação Nacional de Bancos*) and the Banking Trade Union (*Sindicato dos Bancários*).

Our personnel based in Brazil are also members of the Banking Trade Union, and we are members of several bank associations. We believe that we have a good relationship with our employees and relevant unions and we have never experienced a strike or other labor conflict.

Properties

We have offices in Rio de Janeiro, São Paulo, Porto Alegre, Belo Horizonte, Recife, Brasília, Salvador, Ribeirão Preto, Curitiba, Pirapora, Turmalina, Sorriso, and Cuiabá, Brazil, as well as offices in New York, Stamford, Mexico City, London, Santiago, Lima, Medellin, Cali, Barranquilla, Bogota and Buenos Aires. We own a portion of our offices in Santiago, Chile and otherwise lease all of our offices. In December 2012, we moved our São Paulo operations to a substantially larger office and may seek additional leases in the future as a result of our growth prospects.

All of our lease agreements are valid, with a specified term. There are no liens or encumbrances affecting the properties which we lease, and our use and operation of such properties do not violate any applicable laws.

Insurance

We maintain insurance policies to cover us against certain risks we believe may affect our operations. We only maintain insurance policies for our independent directors that provide coverage against risks associated with fraud, directors' and officers' liability, and other related risks which are customary in the industry in which we operate. Our insurance policies are renewed on an annual basis and contain standard terms and conditions applicable to insurance policies with similar coverage.

Our insurance policy for named perils provides coverage against damages to our furniture and devices within such premises caused by fire, lightning, explosions and electric damages, in our offices, as well any other damage caused by any of the events mentioned. The maximum recovery award under our two insurance policies that we maintain varies according to the covered location. Such award may be up to R\$120.0 million (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition and Sale of Insurance Assets").

Intellectual Property

We have registered the trademark "BTG Pactual" in both word and combined forms before the Brazilian Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*), and before intellectual property agencies in several other countries, including the United States, Chile, Argentina and Mexico.

In addition, we have registered several other brands we use in Brazil and elsewhere such as "Latin Stockwatch," "Brazil Equities Handbook," "Latin American Daily Economic Comment" and "Brazil Follow the Money."

We own the domain names "pactual.com.br" and "btgpactual.com.br," among others, which are duly registered with NIC.br (*Núcleo de Informação e Coordenação do Ponto Br*), the entity responsible for registering domain names in Brazil.

Material Agreements

We are party to several agreements arising out of the normal course of our business, such as a broad range of financial agreements and other agreements, including for telecommunications services, supply of goods and information technology. We do not believe that any of those agreements taken individually is material to our financial condition results of operations.

In addition, we have entered into certain other material acquisition and sale agreements. We are party to material agreements relating to (i) the purchase and subsequent sale of BSI to EFG (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—BSI/EFG"), (ii) the acquisition of Bamerindus (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition of Bamerindus"), (iii) the sale of Banco Pan's interest in Pan Seguros to BTGP Seguradora (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions,

Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition of Pan Seguros and Pan Corretora from Banco Pan”), (iv) the spin-off of our commodities business (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Commodities Business Spin-Off”), (v) the purchase and subsequent sale of our reinsurance business (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition and Sale of Insurance Assets”), (vi) the purchase sale of our interest in Rede D’Or (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Sale of Rede D’Or”), (vii) the purchase and sale of certain loan portfolios (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Loans Recovery Activity”), (viii) the recapitalization of Eneva (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Restructuring of Eneva”), (ix) the sale of Thor Comercializadora (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Sale of Thor Comercializadora”) and (x) the acquisition of the Timberland Group (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting Our Results of Operations—Acquisition of Uruguayan Timberlands from Weyerhaeuser”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of Recent Acquisitions, Divestitures and Corporate Restructurings Affecting our Results of Operations.”

Legal Matters

We are party to various judicial and administrative proceedings, including tax, labor, civil and regulatory proceedings, arising in the ordinary course of our business. As of September 30, 2017, our provisions for legal proceedings were R\$2,026.4 million and judicial deposits were R\$1,503.8 million, as detailed below. We believe that our provisions for judicial and administrative proceedings are sufficient to meet our probable losses.

We are party to a number of legal proceedings involving the payment of certain taxes and contributions. Our principal legal proceedings are summarized below.

Tax Proceedings

As of September 30, 2017, we were party to 620 legal proceedings involving the payment of certain taxes and contributions, representing contingencies in the total amount of approximately R\$4.4 billion, for which provisions in the amount of R\$1,684.2 million and judicial deposits in the amount of R\$1,046 million have been made. The acquisition of Banco Bamerindus, described elsewhere in this Offering Memorandum, has added R\$668 million to our tax provisions and R\$645 million to our judicial deposits. The most relevant tax proceedings are the following:

- *Income and Social Contribution Taxes (IRPJ and CSLL).* In December 2015, we received a tax assessment which totaled R\$1.9 billion as of September 30, 2017, alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by Banco BTG Pactual was inappropriate. Such goodwill originated in connection with the acquisition of Banco Pactual by UBS in 2006 and then of UBS Pactual by BTG in 2009. This assessment relates to the amortization of goodwill that occurred in 2010 and 2011. We have filed an appeal of this tax assessment. In February, a preliminary administrative decision was issued providing for a partial reduction of the tax assessment. In response to the unfavorable portion of the administrative decision, we filed an appeal in March 2017. We do not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements.
- *Social Security Contribution Tax (Contribuição para o Financiamento da Seguridade Social) (“COFINS”).* Such proceedings, which date back to February 1999, involve an aggregate amount of approximately R\$1.007 billion, which was fully deposited. In 1998, new tax legislation was enacted which required

Brazilian companies to pay COFINS on revenues generated from financial investments (Law No. 9,718/98). Prior to 1998, the Brazilian Federal constitution dictated that Brazilian companies were only required to pay COFINS taxes on revenues generated from operational activities. We challenged the assessment of COFINS on financial investments and claimed the right to calculate the tax pursuant to the Complementary Law No. 70/91, arguing that in order to expand the COFINS tax calculation basis, the Brazilian legislature was required to observe a constitutionally mandated waiting period prior to enacting such legislation. In December 2008, we obtained favorable decisions in part from the Federal Regional Court of Brazil, and in July 2010, we appealed such decisions before both the Brazilian Superior Court of Justice and the Brazilian Supreme Court. In October 2015, Banco BTG Pactual's appeal was denied by the Brazilian Superior Court of Justice. We are currently awaiting a decision from the Brazilian Supreme Court on our appeal, and in the meantime, our rights under the initial partially favorable decision are still in effect. We have been advised by our external legal counsel that we may lose these appeals. For Banco Sistema, the same discussion was determined favorably in March 2014. We are waiting for a final decision from the Superior Court to withdraw the insurance.

- *Other Tax Proceedings.* In addition, we were also party, as of September 30, 2017, to several additional tax proceedings, representing contingencies in the total amount of R\$920 million, for which no provisions were made. These proceedings include: (i) proceedings in the amount of R\$899 million concerning payments related to our profit sharing program (PRL) challenging the social security contribution related to these payments and its non-deductibility from our income and social contribution tax base (IRPJ and CSLL, respectively) and (ii) proceedings in the amount of R\$20 million related to the demutualization and IPO of the Bovespa and BM&F, challenging the taxation of PIS, COFINS, on revenues arising from Banco BTG Pactual's sale of these companies' shares. We have been advised by our external legal counsel that we may be found liable in these proceedings. In addition, if we incur losses in connection with these matters, we believe we are entitled to be partially indemnified by third parties for such losses.
- *Regularization Tax Program (PERT).* In August 2017, we adhered to the Regularization Tax Program (PERT), established by Provisional Measure no. 783/2017, an amnesty program which allowed taxpayers to use net operating losses (NOLs) to pay 80% of its tax liabilities. The tax liabilities included in the mentioned program were related to the IRPJ and CSLL tax assessments that discuss the amortization of goodwill related to periods of 2007, 2008 and 2009, in an amount of R\$2,428 million as of August 31, 2017, in connection with the acquisition of Banco Pactual by UBS in 2006. We used NOLs from Banco BTG Pactual and its subsidiaries and joint controlled entities in the amount of R\$1,900 million; made a down payment of R\$487 million, equivalent to 20% of the tax debt, and received reimbursement in the amount of R\$806 million from UBS and a capital increase of R\$172 million from BTG Pactual Holding in connection with the contractual indemnity.

Labor Proceedings

As of September 30, 2017, we were party to approximately 742 labor proceedings, of which less than 20% are related to former Banco BTG Pactual's employees, for which provisions of R\$47.3 million and judicial deposits of R\$12.2 million have been made. Such claims brought by our former employees are mostly related to overtime payment claims. With respect to the remaining claims, most of them from other companies' former employees and/or outsourced providers that request Banco BTG Pactual's joint liability on labor matters.

Civil and Other Proceedings

As of September 30, 2017, we were defendants in approximately 2,861 civil proceedings, representing estimated contingencies in the approximate amount of R\$4,772.8 million, for which provisions in the amount of R\$294.9 million have been made.

In November 2015, André Santos Esteves, then the CEO, chairman and largest shareholder of Banco BTG Pactual, was temporarily taken into custody in Brazil in connection with allegations of obstruction of justice. Following such arrest, we conducted an internal investigation coordinated by an independent committee in conjunction with external legal counsel and forensic and financial consultants, and found no basis to conclude that the allegations of misconduct and corruption against Mr. Esteves, Banco BTG Pactual or our personnel that were the

subject of the investigation are credible, accurate or otherwise supported by reliable evidence. On September 1, 2017, the Brazilian Federal Prosecutor's Office filed its closing arguments requesting the dismissal of all charges against Mr. Esteves, which request is awaiting court approval.

However, due to statements made by Mr. Delcídio do Amaral, a former Brazilian Senator, in a plea bargain mentioning Mr. Esteves in relation to other matters, Mr. Esteves became subject to additional criminal investigations related to (i) alleged corruption in connection with the exclusivity agreement in place between Distribuidora e Derivados do Brasil S.A., a gas station chain owned by certain of the Banco BTG Pactual Partners and BR Distribuidora, a Petrobras subsidiary, and (ii) the alleged existence of a criminal organization involving various politicians (including Brazilian president Michel Temer) and political parties, public agents, entrepreneurs and businessmen, acting to obtain undue payments on agreements with publicly owned entities. In connection with this alleged criminal organization, another investigation was filed before the Brazilian Supreme Court (now transferred to the federal (lower) court) regarding the alleged payment of bribes to former congressman Eduardo Cunha in exchange for his support on provisional tax measures that would be supposedly favorable to the BTG Pactual Group. Other corruption related allegations have been made against Mr. Esteves in connection with an investment by Banco BTG Pactual in assets acquired by Banco BTG Pactual from Petrobras from its PetroAfrica subsidiary as well. None of the foregoing matters, and other matters involving us, have resulted in any criminal charges being brought against Mr. Esteves, us or any other Banco BTG Pactual employees, and Mr. Esteves and Banco BTG Pactual continue to cooperate with all authorities in any investigations that are proceeding and we continue to monitor the situation. All of the foregoing matters were analyzed as part of our internal investigation coordinated by an independent committee in conjunction with external legal counsel and forensic and financial consultants over the course of 2015 and 2016.

While a conviction of Mr. Esteves in the ongoing criminal proceedings seems unlikely given the decision by the Brazilian Federal Prosecutor's Office to seek a dismissal of all charges as described above, we cannot predict the ultimate outcome of that criminal proceeding or whether any of the investigations mentioned herein will result in criminal charges being brought against Mr. Esteves or us and what impact, if any, any such proceedings or investigations may or could have on Mr. Esteves or us and any of our businesses, including any potential fines and penalties, regardless of whether there is a determination of any wrongdoing.

Regulatory Proceedings

We are exposed to significant regulatory action and supervision, mainly from the Central Bank and the CVM. We and eventually our officers could face claims and investigations related to our business activities, including with regard to our investment recommendations, compliance, internal controls and trading strategies. Settlements are frequently entered with the CVM.

In December 2016, CADE notified us that they had commenced an administrative proceeding against Banco BTG Pactual, one current employee and one former employee. The administrative proceeding arose from alleged anticompetitive practices in the FX spot and future markets (derivatives). They are related essentially to spot, forward and future operations conducted and settled in *reais*. According to CADE, the evidence identified communications among the companies that took place in Bloomberg's chat rooms and supposedly revealed attempts to coordinate exchange operations, exchange risk positions, define prices to exchange and differential spreads, to share commercially sensitive information including negotiation activities, risk positions, and client information. The administrative defense before CADE will be presented in January 2018. Due to the early stage of the investigation, we are not in a position to opine on the risk of conviction and potential penalties.

Based on the facts aforementioned, CADE had sent a notice to the Central Bank informing the alleged irregularities. In December 2016, the Central Bank notified us that it had commenced an administrative proceeding involving Banco BTG Pactual and two of our officers, in their capacity as responsible officers, in order to investigate the same practices that were already under investigation before CADE, as well as the alleged insufficient internal control and risk management structures. In February 2017, we filed an administrative defense and the administrative proceeding before the Central Bank is now expected to proceed to trial. For the same reasons described above, we are not in a position to opine on the risk of conviction and potential penalties that could arise from this proceeding.

MANAGEMENT

Senior Management Team

Below is a summary of the business experience and other biographical information of our Senior Management Team, who is responsible for defining the general business policies and guidelines of the BTG Pactual Group, including its long-term strategies, and for controlling and monitoring its overall performance. Each member of our Senior Management Team is a Partner.

Marcelo Kalim is the chairman of the board of directors of Banco BTG Pactual. In addition, Mr. Kalim is Senior Vice President of Banco BTG Pactual. Mr. Kalim joined Banco BTG Pactual in 1996 (and became a partner in 1998). Mr. Kalim served as chief investment officer of Banco BTG Pactual from 2006 to 2008, where he was responsible for investment decisions in the funds managed by Banco BTG Pactual. Mr. Kalim began his career at Banco BTG Pactual as a fixed-income trader and served as head fund manager and co-head of BTG Pactual Asset Management. Mr. Kalim received his bachelor's degree in economics from the University of São Paulo and his MBA from the Massachusetts Institute of Technology Sloan School of Management.

Roberto Balls Sallouti is the chief executive officer and a member of the Board of Directors of Banco BTG Pactual. Mr. Sallouti joined Banco BTG Pactual in 1994, and became a partner in 1998. He was named chief operating officer in 2008, having previously been responsible for Banco BTG Pactual's fixed income division. He was named chief executive officer in 2015. Mr. Sallouti received his bachelor's degree in economics, with concentrations in finance and marketing, from The Wharton School at the University of Pennsylvania.

John Huw Gwili Jenkins is a member of the board of directors of Banco BTG Pactual and PPLA Participations. Prior to joining BTG Pactual in 2009, Mr. Jenkins worked at UBS AG from 1996 to 2008, where he held several positions, including chief executive officer, global head of equities, head of equities for the Americas and head of Asia-Pacific equities. Prior to joining UBS AG, Mr. Jenkins worked at BZW Investment Management from 1986 to 1996 and Hill Samuel in 1986. Mr. Jenkins has spent most of his career based in Asia and the United States. Mr. Jenkins received his bachelor's degree with honors in sociology and psychology from the University of Liverpool, his MBA from the London Business School and has recently participated in the Executives in Residence program at the London Business School.

Antonio Carlos Canto Porto Filho is an executive officer of Banco BTG Pactual. Prior to joining PPLAI in October 2008, Mr. Filho served as vice chairman of Banco BTG Pactual from 2006 to 2008. Mr. Filho joined Banco BTG Pactual in 1997 as a partner and served as executive director of private banking and a member of its executive committee. Prior to 1997, Mr. Filho worked for 28 years at Banco de Crédito Nacional, where he held various positions including vice president for financial management, leasing, insurance, real estate, legal and marketing from 1988 to 1997, and financial director from 1979 to 1988.

Rogério Pessoa Cavalcanti de Albuquerque serves as the co-head of the wealth management unit and executive officer of Banco BTG Pactual. Mr. Pessoa joined Banco BTG Pactual in 1998 and became a partner in 2004. Mr. Pessoa served as head of our wealth management unit from 2004 to 2009. Previously, Mr. Pessoa worked for Delta Bank as vice president of private banking and for Prudential Securities as a broker in the international client accounts division. Mr. Pessoa received his bachelor's degree in economics from the Catholic University of Rio de Janeiro and his MBA from the University of Illinois.

Eduardo Henrique de Mello Motta Loyo serves as the chief economist and executive officer of Banco BTG Pactual. Mr. Loyo joined Banco BTG Pactual in 2007, where he served as managing director and chief economist for Latin America. From 2005 to 2007, Mr. Loyo was executive director of the IMF, elected by Brazil and eight other countries. Mr. Loyo was deputy president of the Central Bank from 2003 to 2005, and a voting member of the Central Bank's Committee on Monetary Policy (*Comitê de Política Monetária*) ("COPOM"). Since 2001, Mr. Loyo has been a professor of economics at the Catholic University of Rio de Janeiro and was assistant professor of public policy at Harvard University from 1998 to 2003. Mr. Loyo also held visiting faculty positions at Columbia University in 2003 and INSEAD in 2002. Mr. Loyo serves as a director of the Institute for Economic Policy Studies - Casa das Graças, a think tank in Rio de Janeiro. Mr. Loyo received his PhD in economics from Princeton University.

Guilherme da Costa Paes serves as the co-head of the investment banking unit and executive officer of Banco BTG Pactual. Mr. Paes joined Banco BTG Pactual in 1992 and became a Partner in 1998. Mr. Paes headed the oil and infrastructure sectors within the corporate finance division, participating in M&A and capital markets transactions. Mr. Paes received his degree in business administration from Santa Úrsula University in Rio de Janeiro and his MBA from the Brazilian Institute of Capital Markets (“IBMEC”) with a concentration in finance.

Renato Monteiro dos Santos serves as the head of FICC and executive officer of Banco BTG Pactual. Mr. Santos joined Banco BTG Pactual in 1997 and became a partner in 2001. Mr. Santos served as head of the Brazil rates desk and head of FICC Latin America from 2006 to 2008. Mr. Santos began his career at Banco BTG Pactual in 1997 as a trader, serving as head of Latin America fixed income markets from 2004 to 2006. Mr. Santos received a bachelor’s degree in business administration from FGV-SP and a bachelor’s degree in economics from the University of São Paulo.

André Fernandes Lopes Dias is the chief risk officer and an executive officer of Banco BTG Pactual. Mr. Fernandes joined Banco BTG Pactual in 1997 and, in 2004, assumed responsibility for the control of credit risk. In 2006, he became an executive director in charge of credit risk control at UBS AG, a position he held until 2009. Prior to joining Banco BTG Pactual, Mr. Fernandes worked as an auditor at KPMG. Mr. Fernandes received his business administration degree from the Catholic University of Rio de Janeiro.

João Marcello Dantas Leite is head of finance and tax of Banco BTG Pactual, an executive officer of Banco BTG Pactual and the investor relations officer of Banco BTG Pactual and PPLA Participations. Mr. Dantas joined Banco BTG Pactual in 1993 as head of the fiscal department, and in 1997 he assumed the position of controller. Prior to joining Banco BTG Pactual, Mr. Dantas worked in tax consultancy at Arthur Andersen. Mr. Dantas is a member of the board of directors of ANBIMA. Mr. Dantas received his bachelor’s degree in economics from the University Cândido Mendes.

Board of Directors

Our board of directors is responsible for, among other things, electing and removing our executive officers and supervising the other members of our management team.

The members of our board of directors are elected and removed at our shareholders’ meetings in accordance with the terms and conditions of our by-laws, Brazilian Corporations Law and the Partner Brazil Shareholders Agreement (see “Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement”). Each such director is elected for a one-year term, and may be reelected. Under our by-laws, the board of directors shall be composed of five to eleven members, one of whom is designated as chairman and one of whom is designated as vice chairman.

Under Brazilian Corporations Law, the adoption of a cumulative voting process to elect board members may be required by the shareholders holding at least 10.0% of our voting capital. Under such procedure, each voting share shall be granted a number of votes equal to the number of directors to be elected, and shareholders shall have the right to cumulate votes in a single candidate or distribute them among several candidates. In addition, minority shareholders whose interest in the voting shares represent a minimum of 15.0% of our voting capital stock have the right to elect one director in a separate voting process. Moreover, minority shareholders whose interest in our preferred shares representing at least 10.0% of our capital stock have the right to elect one member of the board of directors by a separate voting process. In addition, in case minority shareholders do not reach the 15.0% and 10.0% thresholds, they may combine their holdings in common and preferred shares so that they jointly hold at least 10.0% of the capital stock and, therefore, are able to elect one director in a separate voting process. As a result, minority shareholders may be entitled to elect up to two members of the board of directors by the separate voting process in addition to any additional members elected through the cumulative voting process. However, whenever the directors are elected by the cumulative voting process and the minority shareholders exercise their right to elect directors in a separate voting process, Brazilian Corporations Law allows holders (or group of holders bound by voting agreements) of more than 50% of the voting shares the right to elect the same number of directors elected by minority shareholders via the cumulative and separate voting processes, plus one.

Our capital stock consists of common shares representing approximately 65% of our total capital stock and preferred shares representing approximately 35% of our total capital stock. As of the date of this Offering

Memorandum, our board of directors is composed of seven elected members, four of whom are independent directors.

The table below shows the name, position and date of election of each member of our board of directors as of the date of this Offering Memorandum:

Name	Position	Election Date⁽¹⁾
Marcelo Kalim	Chairman of the Board	April 28, 2017
Roberto Balls Sallouti	Director	April 28, 2017
Cláudio Eugênio Stiller Galeazzi	Director	April 28, 2017
John Huw Gwili Jenkins	Director	April 28, 2017
Mark Clifford Maletz	Director	April 28, 2017
Guillermo Ortiz Martínez	Director	April 28, 2017
Nelson Azevedo Jobim	Director	April 28, 2017

(1) Refers to date of most recent election.

The business address of each member of our board of directors is Praia de Botafogo, 501, 5 ° e 6 ° *andares*, Rio de Janeiro, RJ–22250-040, Brazil.

Below is a summary of the business experience and other biographical information of our board of directors.

Marcelo Kalim is a member of our board of directors. For a summary of Mr. Kalim’s business experience and other biographical information, see “—Senior Management Team” above.

Roberto Balls Sallouti is a member of our board of directors. For a summary of Mr. Sallouti’s business experience and other biographical information, see “—Senior Management Team” above.

Cláudio Eugênio Stiller Galeazzi is a member of our board of directors. Mr. Galeazzi is based in São Paulo. Mr. Galeazzi joined Banco BTG Pactual in August 2010 as a partner. Throughout his career, he has been involved in consulting, restructuring, turnaround, interim management and managing well-known companies in the real economy. He held senior positions in several companies, such as, commercial vice-president of British Petroleum mining company in Brazil and chief executive officer of the following companies, Cia Estanifera do Brasil (CESBRA); Vila Romana and VR; Laticineos MOCOCA; ARTEX; LOJAS AMERICANAS; SENDAS; CBD (Grupo Pão de Açúcar); and CECRISA. Mr. Galeazzi is a certified public accountant. He served as president of the Conselho Nacional do Sesi in Brasilia for five years, director of Instituto Euvaldo Lodi and FIESP (Federação das Industrias de São Paulo) and vice-president of ANFAC (Associação Nacional de Factoring). He also served as board member and consultant of several companies and is the founder of Galeazzi Associados. He currently serves as director of MAM (Museu de Arte Moderna de São Paulo).

John Huw Gwili Jenkins is a member of our board of directors. For a summary of Mr. Jenkins’ business experience and other biographical information, see “—Senior Management Team” above.

Mark Clifford Maletz is a member of our board of directors. Mr. Maletz is a senior fellow at the Harvard Business School and an internationally recognized expert in the areas of strategy, leadership development and organizational transformation. Prior to his time at Harvard Business School, he was a partner at McKinsey and Company where he worked in the organization practice. Mr. Maletz was also previously a professor at Babson College. Mr. Maletz is a founder of the Center for Research on Corporate Performance, the chairman emeritus of the EastWest Institute and a member of the board of Global Capacity. Mr. Maletz received his AB from Dartmouth College and a masters in Cognitive Science, masters in Computer, Information and Control Engineering and a PhD in Communication Sciences from the University of Michigan.

Guillermo Ortiz Martínez is a member of our board of directors. Mr. Ortiz holds a bachelor’s degree in economics from Universidad Nacional Autónoma de México and a master’s degree and a PhD in economics from Stanford University. He is currently chairman of the board of directors of BTG Pactual Casa de Bolsa México, and a board member of Weatherford International (a large oil and equipment company based in Geneva) and several Mexican companies (including Mexichem, ASUR, the Chedraui Commercial Group and VITRO). He has held other

senior positions, such as, executive officer of the International Monetary Fund (IMF) between 1984 and 1988, and as President of the Bank of Mexico between 1998 and 2009.

Nelson Azevedo Jobim is a member of our board of directors. Mr. Jobim received his bachelor's degree in law and social sciences from the Universidade Federal do Rio Grande do Sul in 1968. Mr. Jobim served in various capacities in the public sector, including as a member and President of the Federal Supreme Court from 1997 to 2006, Minister of Justice, Minister of Defense, President of the National Council of Justice and President of the Electoral Superior Court.

Board of Executive Officers

Under our by-laws, our board of executive officers must be composed of two to sixteen members, two of whom are designated as the chief executive officer and others as executive officers. Our executive officers are our legal representatives, responsible for the day-to-day management of our operations and for implementing the policies and general guidelines set by our board of directors.

Since 2012, our board of executive officers has been composed of two to sixteen members, who are not required to be our shareholders. In addition, one member of the board of executive officers must be designated as director of investor relations and up to seven members must be designated as senior vice presidents, with the remaining members as executive officers. The designation of the members of our board of executive officers occurs at the time of election.

Under Brazilian Corporations Law, our executive officers must reside in Brazil, but do not need to be shareholders.

Pursuant to our by-laws, our executive officers are elected by our board of directors for three-year terms, with re-election permitted. Under Brazilian Corporations Law, a maximum of one-third of our directors may also serve as executive officers. In addition, executive officers may be removed at any time pursuant to a decision taken by our board of directors.

Our board of executive officers is composed of thirteen members. The table below shows the name, position and date of election of each of our executive officers as of the date of this Offering Memorandum:

Name	Position	Election Date⁽¹⁾
Roberto Balls Sallouti.....	Chief Executive Officer	April 28, 2017
Antonio Carlos Canto Porto Filho	Senior Vice President	April 28, 2017
Eduardo Henrique de Mello Motta Loyo	Executive Officer	April 28, 2017
Guilherme da Costa Paes	Executive Officer	April 28, 2017
João Marcello Dantas Leite	Executive Officer and Investor Relations Officer	April 28, 2017
Marcelo Kalim	Senior Vice President	April 28, 2017
Oswaldo de Assis Filho	Executive Officer	April 28, 2017
Renato Monteiro dos Santos	Senior Vice President	April 28, 2017
Rogério Pessoa Cavalcanti de Albuquerque	Executive Officer	April 28, 2017
André Fernandes Lopes Dias	Executive Officer	April 28, 2017
Iuri Rapoport.....	Executive Officer	April 28, 2017
Bruno Duque Horta Nogueira.....	Executive Officer	April 28, 2017
Mariana Botelho Ramalho Cardoso.....	Executive Officer	April 28, 2017

(1) Refers to date of most recent election.

The business address of each member of our board of executive officers is Praia de Botafogo, 501, 5 ° e 6 ° andares, Rio de Janeiro, RJ-22250-040, Brazil.

Below is a summary of the business experience and other biographical information of our board of executive officers.

Roberto Balls Sallouti is the chief executive officer of Banco BTG Pactual. For a summary of Mr. Sallouti's business experience and other biographical information, see "—Senior Management Team" above.

Eduardo Henrique de Mello Motta Loyo is an executive officer of Banco BTG Pactual. For a summary of Mr. Loyo's business experience and other biographical information, see "—Senior Management Team" above.

Guilherme da Costa Paes is an executive officer of Banco BTG Pactual. For a summary of Mr. Paes' business experience and other biographical information, see "—Senior Management Team" above.

João Marcello Dantas Leite is an executive officer of Banco BTG Pactual and also serves as Banco BTG Pactual's investor relations officer. For a summary of Mr. Dantas' business experience and other biographical information, see "—Senior Management Team" above.

Marcelo Kalim is an executive officer of Banco BTG Pactual. For a summary of Mr. Kalim's business experience and other biographical information, see "—Senior Management Team" above.

Oswaldo de Assis Filho is an executive officer of Banco BTG Pactual. Prior to this, Mr. Assis Filho was responsible for the commercial coverage of the insurance, banking and textile sectors of the investment banking business unit of BTG Pactual. Mr. Assis Filho has worked in financial institutions since 1976 and, before joining Banco BTG Pactual, he was vice-president of Banco de Crédito Nacional. He graduated from Instituto Tecnológico da Aeronáutica, where he received a bachelor's degree in electrical engineering in 1973. He also has a master degree in economics from Universidade de São Paulo. Mr. Assis Filho has been a partner of Banco BTG Pactual since 1997.

Renato Monteiro dos Santos is an executive officer of Banco BTG Pactual. For a summary of Mr. Santos' business experience and other biographical information, see "—Senior Management Team" above.

Rogério Pessoa Cavalcanti de Albuquerque is an executive officer of Banco BTG Pactual. For a summary of Mr. Albuquerque's business experience and other biographical information, see "—Senior Management Team" above.

André Fernandes Lopes Dias is an executive officer of Banco BTG Pactual. For a summary of Mr. Fernandes' business experience and other biographical information, see "—Senior Management Team" above.

Iuri Rapoport is an executive officer of Banco BTG Pactual. He joined the BTG Pactual Group in 1995 and became a partner in 2001. In 1999, he became co-head of the legal department and served as general counsel between 2003 and 2009. From 2008 to 2011, he was an executive officer responsible for strategic decisions, prior to leaving the BTG Pactual Group to assume the position of chief operating officer at Banco Pan. In February 2014, Mr. Rapoport returned to the BTG Pactual Group as an executive officer focused on operational and strategic management. Mr. Rapoport received his bachelor's degree in law (with specialization in business law) from University of São Paulo and also holds an LLM - Master of Laws (international finance) from King's College London, University of London.

Bruno Duque Horta Nogueira is an executive officer of Banco BTG Pactual and a Managing Director Partner. He joined the BTG Pactual Group in 2000 and became a partner in 2009. Mr. Duque has served in a variety of positions in the legal department of Banco BTG Pactual and since 2012, has overseen the legal department for all of Latin America. Prior to joining the BTG Pactual Group, Mr. Duque worked in the Brazilian electricity sector, working in the legal departments of Eletropaulo and Grupo Rede and in the consulting department of the National Electric Energy Agency. Mr. Duque received his bachelor in law from the Universidade São Paulo (USP).

Mariana Botelho Ramalho Cardoso is an executive officer of Banco BTG Pactual that is based in São Paulo. Mrs. Cardoso is head of the fund administration division at Banco BTG Pactual. She joined Banco BTG Pactual in 1996 and became a partner in 2006. She has spent her entire career in the investment fund industry. Mrs. Cardoso received her bachelor's degree in economics from the Federal University of Rio de Janeiro.

Management of our Luxembourg and Cayman Islands Branches

Neither our Luxembourg Branch nor our Caymans Islands Branch has a separate management board and both branches are managed by our Board of Directors and Board of Executive Officers. The Luxembourg Branch has two responsible authorized representatives for day to day operations, who are approved by the CSSF.

Compensation

General

In 2016, we paid an aggregate of R\$7.3 million to the directors of Banco BTG Pactual.

Under Brazilian law, our shareholders are responsible for establishing the aggregate amount of compensation that may be paid to our executive officers and directors. Our board of directors in turn allocates such aggregate amount among our directors and executive officers.

Compensation Committee

Our compensation committee's principal functions are (i) approval of the granting of stock options, (ii) discussion and analysis of our existing compensation models and (iii) evaluation and approval of the compensation packages proposed by the chief executive officer for our executive officers, including the fixed and variable compensation components, benefits and long-term incentive compensation. As of the date of this Offering Memorandum, the members of our compensation committee are Marcelo Kalim, Roberto Balls Sallouti and Mateus Carneiro.

Committees

Fiscal Council

Under Brazilian Corporations Law, a company may form a fiscal council to operate as a corporate body independent of its management and its independent auditors. A fiscal council may be either permanent or non-permanent. A non-permanent fiscal council is formed at the request of shareholders that represent at least 10.0% of the voting shares or 5.0% of the non-voting shares. Such request may be made at any shareholders' meeting. Our by-laws provide that our fiscal council is a non-permanent body, which, when formed, is composed of a minimum of three and a maximum of five members and their respective alternates, according to Brazilian Corporations Law, and will remain in place for the entire fiscal year in which it was formed. As of the date of this offering memorandum, our fiscal council has not been formed.

Under Brazilian Corporations Law, the fiscal council may not include members that are (i) on our board of directors, (ii) on our board of executive officers, (iii) employed by us, (iv) employed by a subsidiary or company under common control with us or (v) spouses or close family members of any member of our board of directors or board of executive officers.

Audit Committee

On May 27, 2004, the CMN issued Resolution No. 3,198, as amended, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as to clearing houses and clearing and custody service providers. Resolution No. 3,198 requires financial institutions holding a reference shareholders' equity or managing third parties' wealth in amounts equal to or greater than R\$1,000,000,000, among other entities, to create a corporate body designated as an audit committee. Our audit committee may be composed of three to six members, and is currently composed of three members elected by our board of directors. As of the date of this offering memorandum, the members of our audit committee are Anibal Cardoso Joaquim, Pedro Paulo Longuini and Cláudio Engênio Stiller Galeazzi. Our audit committee is not in compliance with the audit committee requirements mandated by the U.S. Sarbanes-Oxley Act of 2002, nor are we subject to such requirements.

In general terms, the audit committee's duties are to take certain measures and to perform specific functions in order to ensure compliance of the relevant financial institution with the applicable accounting regulations.

OUR PARTNERSHIP

Our Partnership

We believe the key to our success is our partnership model. We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) substantially enhances the integration of our various business units and maximizes cross-selling of our products, (iii) allows us to maintain an intense, long-term and recurring commitment to our clients, and identify and capitalize on opportunities in the Brazilian and international financial markets, (iv) substantially enhances our ability to attract the best available talent and (v) greatly facilitates our ability to consistently maintain a lean and cost efficient organizational structure. As a result of this model, and the integration of our businesses, we have a diversified revenue mix and low cost to income ratio and have consistently achieved financial results that we believe exceed those of our competitors.

Description of Partnership Model

Partners have been admitted to and left our partnership by purchasing and selling equity interests in us, PPLA Investments and BTG Pactual Holding. As described below, the partnership has the right to purchase all or part of any Partner's Partnership Equity at any time and for any reason, without the consent of the affected Partner. In addition, any Partner leaving his or her full time employment with the BTG Pactual Group has the right to sell all of its Partnership Equity to certain entities that are wholly-owned by the Partners but may not sell to any other third party except as described below.

The purchase and sale of Partnership Equity occurs in a number of circumstances, including, but not limited to, (i) a periodic review of the performance of Partners and employees whereupon we may determine to reallocate the Partnership Equity among our Partners and to promote certain high performing employees, who previously did not own Partnership Equity, to Partner status, simultaneously reducing the Partnership Equity held by certain other Partners (the "Reallocation Transfers") or (ii) admission of individuals as new Partners in connection with the commencement of their activities as executives within the BTG Pactual Group. These reallocations and decisions to admit new Partners are done on a meritocratic basis, following discussions among the Senior Management Team, in an effort to reward individuals who are determined to be making significant contribution to the BTG Pactual Group and who are also perceived to share our partnership culture.

The entities utilized as the purchaser of the Partnership Equity transferred in the circumstances described above are BTG Pactual Holding (with respect to the Partnership Equity that consists of our shares and shares of BTG Pactual Holding) and the Merchant Banking Partnership (with respect to the Partnership Equity that consists of PPLA Investments limited partnership interests). The purchasing entities are wholly-owned by our Partners. Partners entering the partnership or increasing their interest through the allocation and purchase of new interests can receive financing for such purchases from PPLA Investments to the extent they did not have the resources available to effect such purchases.

In order to ensure that the interests of our Partners and our public shareholders are aligned, and to perpetuate the model that we believe is the key to our success, we have implemented several concrete steps to maintain our partnership model. These mechanisms result in the economic burden of incentivizing our most important executives (other than to the extent of costs relating to salaries, bonuses and the cost of PPLA Investments providing financing to Partners that purchase Partnership Equity) being borne by our Partners (through future dilution), rather than being shared with our public shareholders.

Continuation of Purchase/Sale Right

We have the right to cause our current and future Partners to sell all or a portion of their Partnership Equity (at any time and for any reason). This arrangement allows us to continue the practice of reallocating Partnership Equity among Partners and to new individuals who become Partners on a meritocratic basis which we believe substantially enhances our ability to attract and retain talented executives. In addition, any Partner leaving his or her full time employment with the BTG Pactual Group will have the right to sell all of its Partnership Equity to the entities (and only to such entities) wholly-owned by the Partners as described above. Certain of the individuals who purchase Partnership Equity may require loans to purchase such equity interests to the extent they do not have the resources available to effect such purchases. PPLA Investments may make loans to such individuals.

Restrictions on Sales of Partnership Equity

The Partnership Equity is subject to substantial transfer restrictions. These restrictions are primarily designed to maintain our partnership by preventing Partners from selling their Partnership Equity other than as described above with respect to sales among Partners (through BTG Pactual Holding and the Merchant Banking Partnership), subject to certain limited exceptions described below. The Partnership Equity does not include, and the transfer restrictions described in this section do not apply to, our equity securities purchased by the Participating Partners at the same time and on the same terms and conditions as a consortium of international investors or the common shares and Series A preferred shares of us acquired by BTG Pactual Holding in our initial public offering and all additional units acquired by the Partners in the open market in their capacity as Participating Partners (see “Principal Shareholders”). Such transfer restrictions will also not apply to any of the units that may be subsequently purchased in the market or from third parties who are not Partners or affiliates of Partners.

The Partnership Equity may not, directly or indirectly, be transferred or otherwise sold by any Partner, except for “Permitted Partner Transfers” which are limited to transfers:

- to certain related parties that are Permitted Transferees of the transferring Partner;
- pursuant to Reallocation Transfers;
- on a pro rata basis by the Partners to a “Strategic Investor” (as defined below), provided that any such transfer is subject to the approval of our controlling shareholder;
- in connection with a “Change of Control” (as defined below), including pursuant to a mandatory tender offer initiated by the person or group that is acquiring control of us in connection therewith, provided that any such Change of Control will require the approval of our controlling shareholder;
- to a lender in connection with the foreclosure by such lender on a loan that created a lien on such Partnership Equity, provided that such transaction has been approved by our controlling shareholder; and
- pursuant to a certain Partner withdrawal agreement to the extent necessary to facilitate any of the foregoing permitted transfers.

We currently intend to keep these provisions in place with respect to all of the Partnership Equity for the foreseeable future, and are aware of no conditions that would cause us to believe that there is any likelihood that we will modify such provisions.

However, from time to time we consider the specific provisions of our partnership and believe it is important to retain the flexibility to implement changes that we believe to be in the best interests of our business. Accordingly, it is possible, although currently not anticipated or even considered likely, that such provisions may be modified at some future date.

For purposes of the foregoing:

- “Change of Control” means a transaction or series of related transactions (other than Reallocation Transfers) pursuant to which our current or future Partners (including any entity that is wholly-owned by such Partners as a group) dispose of or sell, whether directly or indirectly, more than 50% of our common shares to any person or group of persons that is or are not prior to the time of such transaction or the beginning of the series of related transaction, and will not in connection with such transaction or series of related transaction, become, employees, officers, consultants, Partners or other individuals that provide similar full-time services to the BTG Pactual Group;
- “Permitted Transferee” of a Partner means (i) any spouse (current or former), sibling, lineal descendants, ancestors, heirs, testamentary trustees or legatees of such Partner or of any spouse of such Partner, (ii) any entity that is controlled and wholly-owned by such Partner or any person described in clause (i) above, for so long as it remains such or (iii) any trust (including a charitable remainder trust) or similar arrangement

of which such Partner (or any distributee of such trust if such distributee is a person described in clause (i) above) is the primary beneficiary or has an interest; and

- “Strategic Investor” means any *bona fide* third party investor that is unaffiliated with the BTG Pactual Group if BTG Pactual Holding and PPLA GP jointly and reasonably determine in good faith that the inclusion of such investor as a holder of our equity securities can reasonably be expected to enhance the earnings, customer base, business reputation, distribution network or prospects of, or products offered by, the BTG Pactual Group.

Partner Non-Competition Agreements

Each of the members of the Senior Management Team have entered into restrictive covenant agreements and for a period of 12 months following the date such member of the Senior Management Team is no longer providing full-time services to, or acting in a similar capacity with respect to, the BTG Pactual Group, such member of the Senior Management Team has agreed to the following restrictions, among other customary restrictions (including those relating to treatment of confidential information and non-disparagement), any of which may be waived by us at any time: (i) non-compete restrictions; (ii) non-solicitation of employees; and (iii) non-solicitation of clients.

Shareholders Agreements

Partner Brazil Shareholders Agreement

The Partners, BTG Pactual Holding and us are parties to a shareholders agreement (the “Partner Brazil Shareholders Agreement”) which governs the relationship among the Partners with respect to their ownership of the shares of BTG Pactual Holding. The Partner Brazil Shareholders Agreement does not apply to the Partners in their capacity as Participating Partners in respect of our common shares and Series A preferred shares acquired by the Participating Partners on the same terms as a consortium of international investors in December 2010 or otherwise in respect of any of our shares purchased by Partners in the open market.

Controlling Partners Shareholders Agreement

The Controlling Partners, BTG Pactual Holding, BTG Pactual G7 Holding S.A. (“G7 Holding”) and we are parties to a shareholders agreement (the “Controlling Partners Shareholders Agreement”), which governs the relationship among the Controlling Partners with respect to their ownership of the shares of BTG Pactual Holding, and the manner in which the Controlling Partners exercise control of BTG Pactual Holding and, indirectly, us.

This Controlling Partners Shareholders Agreement stipulates that certain matters must be submitted to a vote of the Controlling Partners at a general meeting, including, among other matters: (i) any changes to the rights or preferences of G7 Holding’s issued shares, (ii) issuing a new class of G7 Holding shares, (iii) G7 Holding entering into certain corporate transactions such as mergers and acquisitions, (iv) amending the constitutive documents of G7 Holding, (v) any matters that would affect the control of BTG Pactual Holding by G7 Holding or affect the control of Banco BTG Pactual by BTG Pactual Holding and (vi) prior to the exercise of voting rights at a general shareholders’ meeting or board of directors meeting of BTG Pactual Holding. In the event that any clause under the Controlling Partners Shareholders Agreement conflicts with the Partner Brazil Shareholders Agreement or any other related agreement, the Controlling Partners Shareholders Agreement will always prevail.

Control of Banco BTG Pactual

Except as set forth below, the Partner Brazil Shareholders Agreement and the Controlling Partners Shareholders Agreement provide that Messrs. Marcelo Kalim, Roberto Balls Sallouti, Renato Monteiro dos Santos, Antonio Carlos Canto Porto Filho and Guilherme da Costa Paes (the “Controlling Partners”), through G7 Holding, will generally control our management and direct our and our subsidiaries actions (including investment vehicles in which we own a majority interest) (such entities being collectively referred to herein as the “Banco entities”), to the extent applicable through its ownership of a majority of the voting interests of BTG Pactual Holding, which directly owns a majority of our common shares. Pursuant to the terms and conditions of the Partner Brazil Shareholders Agreement and the Controlling Partners Shareholders Agreement, dated as of December 3, 2015, as amended, any

new or additional controlling shareholder of Banco BTG Pactual shall depend on the previous approval of the Central Bank and be in conformity with applicable laws then in effect.

Board of Officers

BTG Pactual Holding is managed by a board of officers, which, consists of two members, elected and removed by G7 Holding.

Ownership of Our Common Shares by BTG Pactual Holding

The Partner Brazil Shareholders Agreement provides that if we issue any common shares and preferred shares (other than a pro rata issuance to all shareholders), BTG Pactual Holding will exercise its right to convert a certain number of our Series B preferred shares into our common shares. Such conversion is necessary so that (i) BTG Pactual Holding maintains control of us as required by applicable Brazilian laws and (ii) the number of our common shares continues to be no less than 50% of the total number of our common shares and our preferred shares issued and outstanding at any given time.

PRINCIPAL SHAREHOLDERS

As of September 30, 2017, our outstanding capital stock was R\$7,392,092,408.36, fully subscribed and paid-in, represented by 2,681,601,772 shares, all nominative, in book-entry form and without par value, consisting of 1,746,065,322 common shares, 486,180,110 Series A preferred shares and 449,356,340 Series B preferred shares, as per the capital increase approved by our Board of Directors on September 29, 2017. Our capital stock can be increased (without requiring any amendment to our by-laws) up to the limit of 10,000,000,000 shares, subject to the limitation provided for in article 15, §2, of Brazilian Corporations Law (which restricts the number of preferred shares without voting rights to fifty percent of all issued shares), by resolution of our board of directors, which shall establish the issue price, the number of common shares and/or preferred shares to be issued and any additional conditions for the subscription and payment of such shares. Any increase in our capital stock must be approved by the Central Bank.

The following table sets forth, as of September 30, 2017, information relating to the ownership of our shares by (i) BTG Pactual Holding, which holds 87.9% of our voting shares and is effectively controlled by the Controlling Partners, through G7 Holding, which holds 53.97% of the voting shares of BTG Pactual Holding, (ii) affiliate entities, which represent shares held by our Partners acquired in the open market through their own investment vehicles and, therefore, which are not Partnership Equity and (iii) our free float. The table below does not account for any of our common shares or our preferred shares that may be issued upon conversion of our Series B preferred shares into Series A preferred shares or common shares and gives effect to our capital increase of September 29, 2017.

Name	Common	Series A preferred	Series B preferred	% of common	% of preferred
BTG Pactual Holding S.A. (1)(2)(3)(4)	1,535,574,135	65,197,736	449,356,340	87.9%	55.0%
Related Party Partner Vehicles ⁽⁵⁾	48,665,013	97,330,026	-	2.8%	10.4%
Free float ⁽⁵⁾	161,826,174	323,652,348	-	9.3%	34.6%
Total.....	1,746,065,322	486,180,110	449,356,340	100.0	100.0

- (1) Ownership and control of BTG Pactual Holding, as of September 30, 2017, is as follows: (i) 214,916,556 common shares, or 53.97% of the voting shares of BTG Pactual Holding, are held by G7 Holding, which is the entity owned by the Controlling Partners and (ii) 183,284,652 common shares and 710,579,703 preferred shares, or 46.03% of the voting shares of BTG Pactual Holding, are held by our Partners as Partnership Equity, excluding those shares through G7 Holding. In addition, BTG Pactual Holding holds 32,598,868 common shares and 65,197,736 preferred shares, or 1.9% of the voting shares of Banco BTG Pactual and 3.6% of the total economic interest in Banco BTG Pactual, which it acquired in open market transactions and, therefore, is not considered Partnership Equity. These calculations exclude shares which are held in treasury.
- (2) G7 Holding, which is owned and controlled by the Controlling Partners, owns 51.0% of the voting shares of BTG Pactual Holding. The individual ownership interests of each Controlling Partner in G7 Holding are as follows: (i) Marcelo Kalim, with 3,100,847,651 shares, or 30.43% of the ownership interest of G7 Holding, (ii) Roberto Balls Sallouti, with 776,946,181 shares, or 25.06% of the ownership interest of G7 Holding, (iii) Renato Monteiro dos Santos, with 554,961,543 shares, or 17.90% of the ownership interest of G7 Holding, (iv) Antonio Carlos Canto Porto Filho, with 443,969,227 shares, or 14.32% of the ownership interest of G7 Holding and (v) Guilherme da Costa Paes, with 381,536,025 shares, or 12.30% of the ownership interest of G7 Holding.
- (3) André Esteves holds 154,758,494 common shares and 123,229,429 preferred shares of BTG Pactual Holding, corresponding to 38.86% of the voting interest of BTG Pactual Holding.
- (4) Related party Partner vehicles consist of ownership interests held by our Partners, outside of BTG Pactual Holding, acquired in open market transactions and, therefore, not considered Partnership Equity, including (i) 42,930,871 common shares and 85,861,742 preferred shares, or 2.5% of the voting interest, of Banco BTG Pactual, held by our Senior Management Team through their individual investment vehicles, including 17,029,767 common shares and 34,059,535 preferred shares, or 1.0% of the voting interest of Banco BTG Pactual, held by PCP, an investment vehicle held collectively by a group of partners and (ii) 5,734,142 common shares and 11,468,284 preferred shares owned by the Merchant Banking Partnership, or 0.3% of the voting interest of Banco BTG Pactual.
- (5) May include interests held by our Partners other than our Senior Management Team acquired in the open market.
- (6) Considering direct and indirect interests held through BTG Pactual Holding, including through G7 Holding, and related party Partner vehicles, the following Partners (including through each Partner's family members or through trusts or other entities) hold a 5.0% or greater economic interest in Banco BTG Pactual: (i) Marcelo Kalim, with 5.94% of the ownership interest of Banco BTG Pactual and (ii) Andre Esteves, with 26.60% of the ownership interest of Banco BTG Pactual.

RELATED PARTY TRANSACTIONS

We engage in related party transactions with certain of our affiliates in the ordinary course of our business, including financing facilities and commercial and services agreements. We believe that these transactions are carried out on an arms-length basis, in accordance with ordinary market practices.

We summarize below certain material agreements entered into with related parties:

Loans

From time to time, including in connection with the acquisition of Banco BTG Pactual, and in connection with the purchase of shares in each of us and BTG Pactual Holding as part of Reallocation Transfers (see “Our Partnership”), both BTG Loanco, LLC, a Delaware limited liability company and wholly-owned subsidiary of PPLAI (“BTG Loanco”), Banco BTG Pactual—Cayman Islands Branch, Banco BTG Pactual—Luxembourg Branch and BTG Pactual NY Corporation made loans, referred to herein as the Banco BTG Pactual Partner Loans, to certain Partners, in such capacity, the Banco BTG Pactual Debtor Partners, the proceeds of which were used to fund all or a portion of their investment in us and BTG Pactual Holding. The Banco BTG Pactual Partner Loans mature 20 years after the date of the loan, unless otherwise accelerated as provided below. As of September 30, 2017, the aggregate original principal amount that remained outstanding under such loans (excluding any adjustments to such principal based on the prevailing CDI Rate as described below) was approximately R\$3,766.9 million. Because of the steps we have taken to ensure that our partnership model would not change following our initial public offering, we expect to continue to make additional Banco BTG Pactual Partner Loans. See “Our Partnership—Continuation of Purchase/Sale Right.”

The Banco BTG Pactual Partner Loans are mostly denominated in *reais* and a small part in U.S. dollars. The outstanding principal of the Banco BTG Pactual Partner Loans will be adjusted from time to time based on the prevailing CDI Rate for the *real*-denominated loans and LIBOR for the U.S. dollar-denominated loans. The outstanding principal of the Banco BTG Pactual Partner Loans is adjusted by the prevailing CDI Rate for the *real*-denominated loans and LIBOR for the U.S. dollar-denominated loans on each date that a voluntary or mandatory prepayment is made (or is required to be made).

Banco BTG Pactual Debtor Partners must make mandatory prepayments on the outstanding amounts of the Banco BTG Pactual Partner Loans if any cash distributions or other cash payments are made to the Banco BTG Pactual Debtor Partners on account of their ownership of any shares in Banco BTG Pactual or shares in BTG Pactual Holding or if the Banco BTG Pactual Debtor Partner receives any proceeds from the sale or other disposition of such shares. Banco BTG Pactual Debtor Partners may also voluntarily prepay the Banco BTG Pactual Partner Loans without penalty or premium. In addition, in connection with the payment of annual cash bonuses to Partners, we have generally determined the amount of such bonus that Banco BTG Pactual Debtor Partners are permitted to retain and required Banco BTG Pactual Debtor Partners to use the remainder of such bonus, on an after-tax basis, to pay down outstanding amounts due under their respective Banco BTG Pactual Partner Loans or loans made by PPLAI to certain Partners. The amount of such bonuses that may be retained by Banco BTG Pactual Debtor Partners is generally applied equally among all Banco BTG Pactual Debtor Partners of the same class (determined based upon the country in which they are based and the ownership interest they hold in Banco BTG Pactual and/or BTG Pactual Holding), although exceptions were made on case by case basis for Partners demonstrating specific liquidity needs. Although the use of bonuses to pay down outstanding loan balances is not required by the terms of the Banco BTG Pactual Partner Loans, a Partner who fails to comply with such policy understands that as a result of such failure, BTG Pactual Holding may exercise its rights to repurchase the shares owned by such Partner at book value. See “Our Partnership.”

The Banco BTG Pactual Partner Loans contain events of default, such as payment defaults, bankruptcy and insolvency, and if the Banco BTG Pactual Debtor Partner grants a lien or other encumbrance (other than permitted liens or encumbrances) on its shares (or ceases to own any shares) of Banco BTG Pactual or BTG Pactual Holding. In the case of an event of default, BTG Loanco, Banco BTG Pactual—Cayman Islands Branch, Banco BTG Pactual—Luxembourg Branch and BTG Pactual NY Corporation may, among other things, and subject to certain limitations, declare any amounts outstanding under the Banco BTG Pactual Partner Loan immediately due and payable.

Each Banco BTG Pactual Debtor Partner pledged all of the shares of Banco BTG Pactual and BTG Pactual Holding owned by such Banco BTG Pactual Debtor to BTG Loanco as security for payment of, and performance of obligations under, the Banco BTG Pactual Partner Loans.

Asset Management Services

In the ordinary course of our business, we provide a broad range of asset management services to PPLAI, as well as to the Merchant Banking Partnership, an exempted limited partnership owned by our Partners and through which our Partners conduct certain merchant banking investments in Brazil.

On June 30, 2010, PPLAI transferred Partners Alpha for R\$92.4 million to the Merchant Banking Partnership. Following such sale, on April 1, 2010, the Merchant Banking Partnership started to pay a management fee equal to 2.0% of the total AUM of the Merchant Banking Partnership and a performance fee equal to 20.0% of the return on the investments to our asset management unit, which is serving as the investment advisor to such partnership.

In addition, after the sale of Partners Alpha by PPLAI, virtually all of PPLAI's merchant banking investments and investments in multi-asset funds are managed by BTG Pactual Gestora de Investimentos Alternativos Ltda. and BTG Pactual Global Asset Management Limited, respectively, our wholly owned subsidiaries. In connection with these services, we receive management fees, which are calculated as a percentage of asset value (that may vary by asset class) and committed capital, invested capital and total gross acquisition cost with respect to the funds and investment vehicles in which PPLAI invests, and performance fees, when returns of these funds and vehicles exceed specified benchmarks or other performance targets. We receive these fees from PPLAI and other investors investing in the same funds or vehicles in accordance with their respective interests in the funds. With respect to exclusive funds created for PPLAI, we believe that the fees we charge are in line with the fees charged by us for exclusive funds created for other clients. For the nine months ended September 30, 2017 and the years ended December 31, 2014, 2015 and 2016, we recorded aggregate revenues of R\$267.8 million, R\$183.3 million, R\$70.7 million and R\$35.6 million, respectively, in asset management fees from PPLAI, and R\$179.5 million, R\$13.7 million, R\$11.6 million and R\$8.7 million, respectively, in asset management fees from the Merchant Banking Partnership.

Investments by PPLAI in Banco BTG Pactual

In the ordinary course of its business, PPLAI maintains bank accounts with, and has invested in certain financial products offered by us and certain of our subsidiaries, including medium-term notes (acquired in the secondary market), demand deposits and time deposits. In addition, PPLAI has entered into several financial derivative contracts with us. As of September 30, 2017, our net position with respect to all such activities resulted in an asset of R\$1,960.5 million.

Partner Non-Competition Agreements

Please see the section entitled "Our Partnership—Partner Non-Competition Agreements" for a description of these agreements.

Partner Brazil Shareholders Agreement

Please see the section entitled "Our Partnership—Shareholders Agreements—Partner Brazil Shareholders Agreement" for a description of this agreement.

Acquisition of Banco Pan Insurance Business

Banco Pan, Banco BTG Pactual and CaixaPar executed a purchase and sale agreement on August 21, 2014, through which Banco Pan sold (i) its 100% interest in Pan Seguros S.A. to BTGP Seguradora, our subsidiary, as well as (ii) its 100% interest in Pan Corretora S.A. to Banco BTG Pactual and CaixaPar, for the total combined amount of R\$580.0 million, which will be adjusted by the 100% positive variation of DI (interbank deposit) rate on the closing of the transactions. This transaction generated goodwill of R\$393.7 million. CaixaPar, within the scope of the transactions, protected its right to maintain, after the closing of the transactions, its current condition as co-

controlling shareholder of Pan Seguros S.A. Banco BTG Pactual concluded and liquidated the transaction on December 29, 2014. After the acquisition, BTGP Seguradora was merged into Pan Seguros S.A.

Shared Services Agreement and Call Option with Engelhart CTP

We are party to a shared services arrangement with Engelhart CTP whereby we provide certain operational and back office services to Engelhart CTP in return for the reimbursement of a portion of our administrative expenses (approximately 5.0%). Since the spin-off of Engelhart CTP from Banco BTG Pactual, Engelhart CTP has been increasingly developing its own independent administrative support infrastructure and, therefore, relies on Banco BTG Pactual's services to a lesser degree.

Additionally, in connection with the spin-off of Banco BTG Pactual's commodities platform, Banco BTG Pactual has granted a call option through April 8, 2021 to Engelhart CTP whereby Engelhart CTP has the option to acquire its remaining equity interest held by Banco BTG Pactual for its equity value.

REGULATORY OVERVIEW

The Brazilian Financial System and Banking Regulation

Regulatory Framework

The basic institutional framework of the Brazilian financial system was established in 1964 by the Banking Reform Law. The Banking Reform Law created the CMN, which is responsible for examining monetary and foreign currency policies pertaining to economic and social development, as well as overseeing the operation of the financial system.

Principal Regulatory Agencies

The Brazilian national financial system (*Sistema Financeiro Nacional*) is composed, among others, of the following regulatory and inspection bodies:

- the CMN;
- the Central Bank;
- the CVM;
- the Brazilian Council of Private Insurance (*Conselho Nacional de Seguros Privados*);
- the SUSEP; and
- the National Superintendency of Private Pension (*Superintendência Nacional de Previdência Complementar*).

Below is a summary of the main functions and powers of the most relevant of these regulatory bodies.

The CMN

The CMN is the chief authority for monetary and financial policy in Brazil, responsible for the overall supervision of Brazilian budgetary, credit, fiscal, monetary and public debt policies.

The members of the board of CMN are the Minister of Finance (chairman), the Minister of Planning, Budget and Management and the President of the Central Bank. The CMN has the authority to regulate the credit operations of Brazilian financial institutions and Brazilian currency, to supervise Brazil's foreign exchange and gold reserves, to establish Brazilian saving and investment policies and to regulate the Brazilian capital markets with the overarching purpose of promoting economic and social development of Brazil. The CMN also oversees the activities of the Central Bank and the CVM. Specifically, the main responsibilities of the CMN are the following:

- coordinating monetary, credit, budget, tax and public debt policies;
- establishing foreign exchange and interest rate policy;
- protecting the liquidity and solvency of financial institutions;
- overseeing activities related to the stock exchange markets;
- regulating the structure and operation of financial institutions;
- granting authority to the Central Bank to issue currency and establishing reserve requirement levels; and
- establishing general directives for banking and financial markets.

The Central Bank

The Central Bank is responsible for implementing policies of the CMN as they relate to monetary and exchange control matters, regulating public and private sector Brazilian financial institutions and monitoring and regulating foreign investment in Brazil. The President of the Central Bank is appointed by the President of Brazil for an indefinite term of office subject to ratification by the Brazilian Senate.

Specifically, the main responsibilities of the Central Bank are the following:

- managing the day-to-day control over foreign capital inflows and outflows (risk capital and loans in any form);
- setting forth the administrative rules and regulations for investment registration;
- monitoring foreign currency remittances;
- controlling the outflow of funds (in the event of a serious deficit in Brazil's balance of payments, the Central Bank may limit remittances of profit and prohibit remittances as capital for a limited period of time);
- receiving compulsory withholdings and voluntary demand deposits of financial institutions;
- executing rediscount transactions and loans to banking financial institutions and other institutions authorized to operate by the Central Bank;
- acting as a depositary of gold and foreign currency reserves; and
- controlling and approving the incorporation, functioning, transfer of control and equity reorganization of financial institutions and other institutions authorized to operate by the Central Bank.

The CVM

The CVM is the agency responsible for implementing policies established by the CMN and regulates, develops, controls and inspects the securities market. The CVM is headquartered in Rio de Janeiro and has jurisdiction in all Brazilian territory. The CVM is an independent agency linked to the Ministry of Finance. It has independent administrative authority and legal standing. The main responsibilities of the CVM are the following:

- implementing and regulating the securities and exchange policies established by the CMN; and
- controlling and overseeing the Brazilian securities market by: approving, suspending and canceling the registration of public companies; authorizing brokers and dealers to operate in the securities market and public offerings of securities; supervising the activities of public companies, stock exchanges, commodities and futures exchanges, market members, and financial investment funds and variable income funds; requiring full disclosure of material events affecting the market, annual and quarterly reporting by public companies; and imposing penalties.

Since 2001, the CVM has had jurisdiction to regulate and oversee the derivatives' market and financial and investment funds that were originally regulated and supervised by the Central Bank. Pursuant to Law No. 10,198, of February 14, 2001, as amended, and Law No. 10,303, of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds and of transactions involving derivatives were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. In accordance with Law No. 6,385, of December 7, 1976, (also known as the Brazilian Securities Exchange Law), the CVM is managed by one president and four directors as appointed by the President of Brazil (and approved by the Senate). The individuals appointed to the CVM must be of good standing and recognized as experts in the field of capital markets. CVM directors are appointed for a single five-year term and one-fifth of the members must be renewed on a yearly basis.

All decisions rendered by the CVM and the Central Bank in administrative proceedings relating to the national financial system and the securities market are subject to appeal to the Board of Appeals of the National Financial System (*Conselho de Recursos do Sistema Financeiro Nacional*), which is comprised of four members appointed by public authorities and four members from the private sector.

Banking Regulation

Principal Limitations and Restrictions on Financial Institutions

The activities of financial institutions are subject to limitations and restrictions. In general, such limitations and restrictions relate to the offering of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, administration of third party funds and microcredit finance.

The principal restrictions on banking activities established by the Banking Reform Law and further applicable regulations are as follows:

- no financial, banking or credit institution may operate in Brazil without the prior approval of the Central Bank. In addition, foreign banks must be expressly authorized to operate in Brazil by Presidential decree;
- a financial, banking or credit institution may not invest in the equity of any other company, except where such investment is approved by the Central Bank based on certain standards established by the CMN. However, investments are permitted without restrictions in such institutions through the investment banking unit of a multiple-service bank or a subsidiary of an investment bank;
- a financial, banking or credit institution may not own real estate other than the property it occupies, except if it takes possession of real estate in satisfaction of a debt or when expressly authorized by the Central Bank, subject to a specific CMN rule to be edited;
- financial institutions are prohibited from carrying out transactions that fail to comply with the principles of selectivity, guarantee, liquidity and risk diversification;
- financial institutions are prohibited from granting loans or advances without an appropriate deed evidencing such debt;
- a financial, banking or credit institution may not lend more than 25.0% of its PR to any single person or group;
- a financial, banking or credit institution may not grant loans to related parties (except in compliance with specific conditions provided in the Banking Reform Law), such as to (i) controlling shareholders, according to the Brazilian Corporations Law, or their respective relatives (ii) officers and members of statutory positions as well as their relatives, or (iii) persons or legal entities with a relevant shareholding interest;
- financial institutions are prohibited from carrying out repurchase transactions (*operações compromissadas*) in excess of an amount corresponding to 30 times their PR;
- the administration of third party funds should be segregated from other activities and in compliance with the relevant rules imposed by the CVM;
- the registered capital and total net assets of financial institutions must be compatible with the rules governing share capital and minimum capitalization requirements imposed by the Central Bank for each type of financial institution;
- the total amount of funds applied in the fixed assets of financial institutions cannot exceed 50.0% of the respective amount of PR; and
- financial institutions may not expose themselves to gold, assets or liabilities referenced in currency exchange variations in excess of 30.0% of their PR.

Capital Adequacy and Leverage

We must comply with capital requirements established by the Central Bank and CMN that follow principles recommended by the Basel Committee. The Basel accords are a risk-based guideline that establishes capital requirements for financial institutions. The main principle of the recommendation of the Basel Committee is that financial institutions should maintain a sufficient amount of capital to support the principal risks, including credit, market and operational risks, associated with the level of assets held in their balance sheets, calculated on a consolidated basis.

The regulations imposed by the Central Bank typically follow the guidance proposed by the Basel Committee. Brazilian financial institutions are still required to comply with standardized capital requirements with respect to their market, credit and operational risks.

In June 2004, the Basel Committee approved a framework for risk-based capital adequacy, commonly referred to as the Basel II Accord. The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was endorsed at the Seoul G20 Leaders summit in November 2010. The Basel III Accord recommendations aim to improve the ability of financial institutions to withstand shocks to the financial or of other sectors of the economy, to maintain overall financial stability and to promote sustainable economic growth.

In March 2013, the CMN and the Central Bank issued a new regulatory framework for the implementation of the Basel III Accord in Brazil. Accordingly, CMN Resolution No. 4,192, determined, among other things, that Brazilian financial institutions must comply with new minimum capital requirements and established new rules for the calculation of the PR. The PR is used to determine the capital adequacy of Brazilian financial institutions, and is represented by the sum of the Tier 1 capital and Tier 2 capital.

Beginning in October 2013, the Tier 1 capital and Tier 2 started to be calculated as follows under the Basel III Accord:

Tier 1 Capital. Tier 1 capital corresponds to the sum of Common Equity Tier 1 Capital (*Capital Principal*) and Additional Tier 1 Capital (*Capital Complementar*).

The Common Equity Tier 1 Capital (*Capital Principal*) generally corresponds to the sum of: (i) capital stock; (ii) reserves; (iii) unrealized gains; (iv) retained earnings; (v) creditor profit and loss account balances; (vi) deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 4,019 of September 29, 2011); and (vii) balance of positive adjustment in a market value of derivative financial instruments used for cash flow hedge, minus: (i) unrealized losses; (ii) treasury stocks eligible for Common Equity Tier 1 Capital (*Capital Principal*); (iii) retained losses; (iv) debtors profit and loss account balances; (v) balance of negative adjustment at a market value of derivative financial instruments used for cash flow hedge; and (vi) prudential adjustments corresponding to: (a) goodwill paid in the acquisition of investments based on the expectation of future profits, net of deferred tax liabilities related to them; (b) intangible assets, (c) actuarial assets related to defined benefit pension funds, net of deferred tax liabilities related to it, to which the financial institution does not have full access; (d) the aggregate value of direct or indirect shareholding interests representing less than 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (e) direct or indirect shareholding interests exceeding 10% of the capital stock of entities compared to financial institutions, not consolidated, plus insurance companies, reinsurers, capitalization companies and open-ended private pension entities; (f) non-controlling shareholder interest in banking-licensed subsidiaries and foreign subsidiaries located abroad and which exercise activities equivalent to a financial institution in Brazil; (g) tax credits resulting from temporary differences that depend on the generation of future taxable profits or revenues for their realization; (h) tax credits resulting from tax losses and a negative base of Social Contribution on Net Profits and those originated from such contribution related to calculation periods ended until December 31, 1998; (i) deferred permanent assets; (j) fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which

exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate); (k) the amount corresponding to investment in premises, controlled financial institution abroad or non-financial entity that is part of the conglomerate, in relation to which the Central Bank does not have access to sufficient information, data and documents for purposes of consolidated global supervision; (l) the negative difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach); (m) non-controlling shareholding interest in non-banking licensed institutions, locally or abroad; (n) the negative difference between the amount provisioned and the adjustments made in connection with market-value assessment of financial instruments.

Pursuant to CMN Resolution No. 4,193, of March 1, 2013, the Central Bank, beginning on January 1, 2016, will be allowed to require financial institutions to present an additional rate of Common Equity Tier 1 Capital (*Capital Principal*) over their RWA. Such increase in the limits of Common Equity Tier 1 Capital (*Capital Principal*) is denominated Additional Core Capital (*Adicional de Capital Principal*) and, according to CMN Resolution No. 4.443, of October 29, 2015, will be imposed upon the following schedule: (i) 0.625% of RWA, in 2016; (ii) 1.25% of RWA, in 2017; (iii) 1.875% of RWA, in 2018; (iv) 2.5% of RWA, from 2019 on. Non-compliance with Additional Core Capital limits restricts: (i) the payment of variable remuneration to officers and administrators of the respective financial institution; (ii) the payment of dividends and interest on shareholder's equity; (iii) the payment of net surplus and annual compensation to shareholders of credit cooperatives; (iv) the repurchase of shares, in any amount; and (v) any possible capital decrease.

Additional Tier 1 Capital (*Capital Complementar*) corresponds to the sum of all amounts under instruments that adhere to all the following conditions: (i) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (ii) being paid in cash; (iii) having a perpetual nature; (iv) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*), in case of dissolution of the issuing institution; (v) providing that the payment of their compensation shall only be made with funds resulting from profits and profits reserves subject to distribution in the last period of determination; (vi) providing for the suspension of payment of compensation that exceeds the funds available for this purpose; (vii) providing for the suspension of payment of compensation on a *pro rata* basis to the restriction imposed by the Central Bank to the distribution of dividends or other results regarding stocks, quotas or *quotas-partes*, eligible to Common Equity Tier 1 Capital (*Capital Principal*); (viii) providing for the suspension of payment of compensation in case the issuing institution presents insufficient compliance with the Additional Core Capital (*Adicional de Capital Principal*) (in this case the suspension will be on a *pro rata basis*) or the payment results in noncompliance with the minimum requirements of Common Equity Tier 1 Capital (*Capital Principal*), Tier 1 Capital and PR; (ix) having their redemption or repurchase subject to Central Bank's approval; (x) being only redeemable upon the issuer's initiative; (xi) not being subject of any guarantee, insurance or other similar mechanism; (xii) not presenting any provision that directly or indirectly reduces the amount to be authorized to make up the Additional Tier 1 Capital (*Capital Complementar*); (xiii) not providing for changes to the terms or payment conditions agreed; (xiv) not having their purchase directly or indirectly financed by the issuing institution; (xv) providing for a write-off event (a) in case the Common Equity Tier 1 Capital (*Capital Principal*) of the issuer becomes lower than 5.125% of its RWA, (b) upon the occurrence of the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, with an executed commitment of contribution to the issuing institution, (c) upon the imposition of intervention or RAET by the Central Bank on the financial institution; or (d) upon Central Bank's decision; (xvi) providing that the occurrence of the situations in items (v), (vi), (vii), (viii), (xv) and (xviii) shall not be deemed as an event of default; (xvii) providing that compensation unpaid due to the provision of item (v) and the compensation related to the suspension period described in items (vi), (vii) and (viii) shall be deemed extinguished; and (xviii) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate) and (ii) treasury stocks that would be eligible for Additional Tier 1 Capital (*Capital Complementar*).

Tier 2 capital corresponds to the sum of the amounts corresponding to (i) the positive difference between the amount provisioned and the expected loss from exposures covered by internal systems of credit risk classification (IRB approach) and (ii) instruments that attend all the following conditions to be part of Tier 2 Capital:

(a) being in registered form, when issued in Brazil and, when issued abroad, whenever local legislation so permits; (b) being paid in cash; (c) for a minimum period of five years between their date of issuance and maturity date, and may not provide for any repayment before such period; (d) having their payment subordinated to the payment of other liabilities of the respective issuer, except for the payment of the elements that make up the Common Equity Tier 1 Capital (*Capital Principal*) and the Additional Tier 1 Capital (*Capital Complementar*), in case of dissolution of the issuing institution; (e) having their early redemption or repurchase subject to Central Bank's approval; (f) being only redeemable upon the issuer's initiative; (g) not being subject of any guarantee, insurance or other similar mechanism; (h) not providing for changes to the terms or payment conditions agreed; (i) not having their purchase directly or indirectly financed by the issuing institution; (j) providing for a write-off event (1) in case the Common Equity Tier 1 Capital (*Capital Principal*) of the issuer becomes lower than 4.5% of its RWA, (2) upon the occurrence of the exception provided for in the *caput* of article 28 of the Supplementary Law No. 101, of May 4, 2000, with an executed commitment of contribution to the issuing institution, (3) upon the imposition of intervention or RAET by the Central Bank on the financial institution; or (4) upon Central Bank's decision; (k) providing that the occurrence of the situations in items (j) and (l) shall not be deemed as an event of default; (l) providing that write-off or conversion of the debt will not occur in case of ongoing review or republication of documents used for purposes of calculation of the ratio between Common Equity Tier 1 Capital (*Capital Principal*) and RWA. From this amount, the following must be excluded: (i) fund-raising instruments issued by an institution authorized to operate by the Central Bank or by an institution located abroad and which exercises activities equivalent to a financial institution in Brazil (except for those belonging to the same financial conglomerate) and (ii) treasury stocks that would be eligible for Tier II Capital.

In addition to the changes above relating to the calculation of the PR, this new set of rules introduced the concept of quasi-financial institutions (*instituições assemelhadas*) and required consolidation of such quasi-financial institutions into the financial statements of financial institutions.

The Basel III Accord regulatory capital requirements will be gradually increased by the Central Bank until 2019 and may require Banco BTG Pactual to increase its capital basis, which could negatively impact its results and adversely affect its ratios mentioned above. In addition, due to changes in the rules concerning capital adequacy or due to changes in the performance of the Brazilian economy as a whole, Banco BTG Pactual may be unable to meet the minimum capital adequacy requirements required by the Central Bank. Banco BTG Pactual may also be compelled to limit its credit operations, dispose its assets and/or take other measures that may adversely affect.

Regulation of Risk and Capital Management Structure

On February 23, 2017, CMN enacted Resolution No. 4,557, which unifies and expands the Brazilian regulation on risk and capital management for Brazilian financial institutions and other institutions authorized to operate by the Central Bank. The new rule is also an effort to incorporate into Brazilian regulation new recommendations from the Basel Committee on Banking Supervision. The rule provides that risk management must be conducted through an integrated effort by the relevant entity (i.e., not only must risks be analyzed on an individual basis, but financial institutions and other institutions authorized to operate by the Central Bank must also control and mitigate the adverse effects caused by the interaction between different risks). It also expands the rules and requirements on risk management governance and the competence and duties of the risk management officer.

The rule sets out different structures for risk and capital management which are applicable for different risk profiles, based on the risks profiles set out in the applicable regulation. This means a financial institution of smaller systemic importance can have a simplified structure of management, while institutions of larger complexity have to follow stricter protocols and implement the new rules until a closer deadline (180 days).

Reserve and Other Requirements

Currently, the Central Bank imposes a series of requirements on financial institutions regarding compulsory reserves. Financial institutions must deposit reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system.

Some of the most relevant types of reserves required under Brazilian law include:

Demand Deposits. Pursuant to Central Bank Circular No. 3,632 of February 21, 2013, as amended, banks and other financial institutions are generally required to deposit 45.0% of the daily average balance of their demand deposits, bank drafts, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R\$70.0 million with the Central Bank on a non-interest bearing basis. At the end of each day, the balance in such account must be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on the Monday of one week and ends on the Friday of the following week. If the applicable reserve requirement for a financial institution is equal to or below R\$0.5 million, the financial institution will be exempt from setting aside reserve requirements as set forth by Central Bank Circular No. 3,632, however, it must provide information to the Central Bank regarding demand deposits held by it. On January 24, 2017, the Central Bank enacted Central Bank Circular No. 3,823, which sets forth reductions in the compulsory deposit requirements of the Central Bank. Commencing on February 22, 2017 for financial institutions classified as Group A by the Central Bank, and commencing on February 15, 2017 for financial institutions classified as Group B by the Central Bank and using as a base (“*valor-base-vista*”), the following reductions in the deposit requirements apply: (i) 100% of the respective amount until the period ending on December 29, 2017, for Group A institutions, and until the period ending on December 22, 2017, for Group B institutions; (ii) 50% of the respective amount from the period of January 2, 2018 until December 28, 2018, for Group A institutions, and from the period of December 26, 2017 until December 21, 2018, for Group B institutions; (iii) 30% of the respective amount from the period of December 31, 2018 until December 27, 2019, for Group A institutions, and from the period of December 24, 2018 until December 20, 2019, for Group B institutions; and (iv) 0% of the respective amount from the period of December 30, 2019, for Group A institutions, and from the period of December 23, 2019, for Group B institutions.

Savings Accounts. Pursuant to Central Bank Circular No. 3,093, dated March 1, 2002, as amended by Central Bank Circular No. 3,757 dated May 28, 2015, the Central Bank has established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 24.5% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts captured by the entities of the Brazilian Savings and Loan System (*Sistema Brasileiro de Poupança e Empréstimo*) (“SBPE”) must be used to finance residential real estate or the housing construction sector, as determined by CMN Resolution No. 3,932, of December 16, 2010, as amended. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged off residential real estate loans and certain other financings, all as specified in guidance issued by the Central Bank.

Time Deposits. Pursuant to Central Bank Circular No. 3,569, of December 22, 2011, as amended, financial institutions are subject to a mandatory reserve of 36.0% of the average daily balance of their time deposits and certain other amounts, after a deduction of R\$30.0 million, in the amount exceeding: (i) R\$3.0 billion, for financial institutions with Tier 1 component of regulatory capital below R\$3.0 billion; (ii) R\$2.0 billion, for financial institutions with Tier 1 component of regulatory capital equal to or higher than R\$3.0 billion and below R\$10.0 billion; (iii) R\$1 billion, for financial institutions with Tier 1 component of regulatory capital equal to or higher than R\$10.0 billion and below R\$15.0 billion; and (iv) zero, for financial institutions, such as the Bank, with Tier 1 component of regulatory capital higher than R\$15.0 billion. If the applicable reserve requirement of a financial institution is below R\$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Central Bank Circular No. 3,569 and amendments therein. Amounts subject to this reserve requirement shall be deposited in cash into a specific account and, at the end of each day, deposited amounts shall be equivalent to 100.0% of the applicable reserve requirement.

Asset Composition Requirements

Permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred charges) of Brazilian financial institutions may not exceed 50.0% of the sum of their PR, calculated in accordance with criteria established by the Central Bank.

Brazilian financial institutions cannot have more than 25.0% of their PR allocated to credit transactions (including guarantees) extended to the same customer (including its parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their PR.

Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are sale and repurchase agreements involving the sale of securities. Repurchase transactions carried out in Brazil are subject to operating capital limitations based on the financial institution's PR. A financial institution may only carry out repurchase transactions for an amount up to 30 times its PR. Within this limitation, repurchase transactions involving private bonds may not exceed five times the amount of PR.

Transactions with Affiliates

Brazilian Law No. 7,492, enacted on June 16, 1986, which regulates crimes against the Brazilian financial system, defines as a crime the extension of credit by a financial institution to any of its directors or officers and certain of their family members, as well as any entity controlled directly or indirectly by such financial institution or which is subject to common control of such financial institution (except loans to leasing subsidiaries). Violations of Law No. 7,492 are punishable by two to six years' imprisonment and a fine. On June 30, 1993, the Central Bank issued Resolution No. 1,996, which requires any such transaction to be reported to the Public Ministry's office.

Foreign Currency Loans

Pursuant to Central Bank regulation, financial institutions may borrow foreign currency denominated funds in international markets without obtaining the Central Bank's prior written consent, including to on-lend such funds to Brazilian individuals or companies in Brazil and other financial institutions. Banks make these on-lending transactions through loans payable in *reais*, though they are adjusted by foreign currency variation. The lending terms must reflect the terms of the original transaction. The interest rate charged on the underlying foreign loan must also be consistent with international market practices. In addition to the original cost of the transaction, the financial institution may only charge an additional on-lending fee.

The Central Bank may set limitations on the term, interest rate and general conditions of foreign currency loans. The Central Bank may change such limitations depending on the economic environment and the Brazilian government's monetary policy.

Substantially all foreign credit operations are subject to registration with the electronic system of the Central Bank, through the so-called RDE-ROF Module. Failure to correctly inform the Central Bank of the terms of such foreign credit transaction may subject the financial institution to warnings and fines.

Treatment of Overdue Debts

The Central Bank requires financial institutions to classify credit transactions in accordance with their level of credit risk as either, "AA," "A," "B," "C," "D," "E," "F," "G" or "H" and make provisions according to the risk level attributed to each transaction. Such credit classifications are determined in accordance with criteria set forth from time to time by the Central Bank relating to: (i) the condition of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, administration and quality of controls, delay in payments, contingencies and credit limits; and (ii) the terms of the transaction, such as its nature and purpose, type of collateral and, in particular, its level of liquidity and the total amount of the credit. Where there are several credit transactions involving the same customer, economic group or group of companies, the credit risk must be determined by analyzing the particular credit transaction of such customer or group which represents the greatest credit risk to the financial institution.

Credit transactions of up to R\$50,000 may be classified either by the financial institution's own evaluation method or according to the number of days such transaction is past due, whichever is more stringent. Credit classifications are required to be reviewed:

- on a monthly basis, in the event of a delay in the payment of any installment of principal or interest, in accordance with the following maximum risk classifications:
 - (1) 1 to 14 days overdue: risk level A;

- (2) 15 to 30 days overdue: risk level B;
 - (3) 31 to 60 days overdue: risk level C;
 - (4) 61 to 90 days overdue: risk level D;
 - (5) 91 to 120 days overdue: risk level E;
 - (6) 121 to 150 days overdue: risk level F;
 - (7) 151 to 180 days overdue: risk level G; and
 - (8) more than 180 days overdue: risk level H;
- every six months, in the case of transactions involving the same customer, economic group or group of companies, the amount of which exceeds 5.0% of the adjusted net worth of the financial institution in question; and
 - once every 12 months, in all circumstances, except in the case of credit transactions with a customer whose total liability is lower than R\$50,000, the classification of which may be reviewed as provided in item (1) above. Such R\$50,000 limit may be amended by the Central Bank from time to time and applies only to transactions entered into on or before February 25, 2000.

Failure to comply with the requirements established by the Central Bank will result in the reclassification of any transaction to risk level H.

Credit loss provisions must be made monthly by each financial institution in accordance with the following:

- 0.5% of the total amount of credit transactions classified as level A;
- 1.0% of the total amount of credit transactions classified as level B;
- 3.0% of the total amount of credit transactions classified as level C;
- 10.0% of the total amount of credit transactions classified as level D;
- 30.0% of the total amount of credit transactions classified as level E;
- 50.0% of the total amount of credit transactions classified as level F;
- 70.0% of the total amount of credit transactions classified as level G; and
- 100.0% of the total amount of credit transactions classified as level H.

Internal Compliance Procedures

On August 28, 2017, the CMN enacted Resolution No. 4,595 providing that Brazilian financial institutions and other institutions authorized to operate by the Central Bank shall implement and maintain a compliance policy compatible with the nature, size, complexity, structure, risk profile and business model of the institution. The compliance policy is intended to ensure an effective compliance risk management by the institution and may be established at the consolidated enterprise level (*conglomerado prudencial*). Among others, the compliance policy must establish the scope and purpose of the compliance function in the institution, the definition of the organizational structure and personnel allocated in the compliance function, and the segregation of roles among personnel in order to avoid conflicts of interest.

The compliance policy must be approved by the board of directors and the regulation also assigns to the board the responsibility to ensure: (i) it is adequately managed throughout the institution; (ii) its effectiveness and continuous application; (iii) its communication to all employees and services providers; and (iv) the dissemination of

the integrity and ethical standards are part of the institutions culture. The board of directors is also responsible for ensuring the application of correctional measures in case of compliance breaches, and providing the necessary means for the activities related to the compliance functions to be adequately conducted.

The entities subject to the new resolution are required to adopt and implement a compliance policy in accordance with such requirements by December 31, 2017.

Brazilian Payment and Settlement System

The rules for the settlement of payments in Brazil are based on the guidelines adopted by the BIS. The Brazilian Payment and Settlement System (*Sistema de Pagamentos Brasileiro*) (“SPB”) began operating in April 2002. The Central Bank and the CVM have the power to regulate and supervise SPB. Pursuant to these rules, all clearing houses are required to adopt procedures designed to minimize the possibility of systemic crises and the risks previously articulated by the Central Bank. The most important principles of SPB are the following:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

Insolvency Laws Concerning Financial Institutions in Brazil

Financial institutions are subject to the proceedings established by Law No. 6,024, enacted on March 13, 1974, and Decree No. 2,321, enacted on September 8, 1987, which establish the applicable provisions in the event of intervention, temporary administration or extra-judicial liquidation by the Central Bank, as well as to bankruptcy proceedings.

Intervention and extra-judicial liquidation occur when a financial institution is in a precarious financial condition or upon the occurrence of events that may impact the creditors’ situation. Such measures are imposed by the Central Bank in order to avoid the bankruptcy of the entity.

Intervention

Pursuant to Law No. 6,024/74, the Central Bank has the power to appoint an intervener to intervene in the operations of or to liquidate any financial institution other than public financial institutions controlled by the Brazilian federal government. An intervention may be ordered at the discretion of the Central Bank if any of the following is detected:

- due to mismanagement, the financial institution has suffered losses leaving creditors at risk;
- the financial institution has consistently violated Brazilian banking laws or regulations;
- the financial institution fails to pay net debts as they fall due without a relevant legal reason;
- the financial institution is involved in enforcement proceedings and fails to pay or secure payment of the debt;
- the financial institution uses fraudulent means to pay debts;
- the financial institution calls the creditors to propose renegotiation of debts or assignment of assets;
- the financial institution delays payments or defrauds creditors (or seeks to delay payments or defraud creditors) by selling assets or entering into simulated transactions (sham);

- the financial institution sells its main assets to third parties without approval from all creditors and without remaining with sufficient assets to secure payment of debts;
- the financial institution creates (or seeks to create) security over assets, in respect of existing debts, without maintaining sufficient free and clear assets to secure payment of debts; or
- the financial institution leaves its establishment without a legal representative to run the business and without sufficient assets to pay creditors.

Except for the first two bullet points above, these situations would be grounds for an intervention only to the extent that it is a feasible alternative to the liquidation of the financial institution.

As of the date on which it is ordered, the intervention will automatically: (i) suspend the enforceability of payable obligations; (ii) suspend maturity of any previously contracted obligations; and (iii) freeze deposits existing on the date on which the intervention is ordered. The intervention ceases: (a) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Central Bank; (b) when the situation of the financial institution is normalized, as determined by the Central Bank; or (c) when extra-judicial liquidation or bankruptcy of the entity is ordered.

Intervention may also be ordered upon the request of a financial institution's management. Any such intervention period should not exceed six months, which may be extended only once for up to six additional months by the Central Bank. The intervention proceedings are terminated if the Central Bank establishes that the irregularities that have triggered an intervention have been eliminated. Otherwise, the Central Bank may extra-judicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy under the Brazilian Bankruptcy Law ("BBL"), among other situations, if the assets of the intervened institution are insufficient to satisfy at least 50.0% of the amount of its outstanding unsecured debts.

Extra-judicial Liquidation

Extra-judicial liquidation is an administrative proceeding ordered by the Central Bank (to financial institutions other than those controlled by the Brazilian federal government) and conducted by a liquidator appointed by the Central Bank. This extraordinary measure aims at terminating the activities of a troubled financial institution, liquidating its assets and paying its liabilities, as in an-extra judicially decreed bankruptcy.

The Central Bank will order the extra-judicial liquidation of a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they become due, or upon the occurrence of an event that indicates a state of insolvency under the rules of the BBL;
- management seriously violates Brazilian banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unprivileged and unsecured creditors to severe risk; and/or
- upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days or, if initiated, the Central Bank determines that the pace of the liquidation may harm the institution's creditors.

The decree of extra-judicial liquidation will: (i) suspend the actions or foreclose on rights and interests relating to the estate of the entity being liquidated, and no other actions or executions may be brought during the liquidation; (ii) accelerate the obligations of the entity; (iii) interrupt the statute of limitations with regard to the obligations assumed by the institution; (iv) avoid penalties provided in agreements that became due by virtue of the extra-judicial liquidation; (v) ratably deduct interest until the date when the debts are paid in full; (vi) avoid fines for infringement of criminal or administrative laws; and (vii) freeze all assets belonging to the managers (who acted as managers in the 12 months preceding the declaration of liquidation of the financial institution (this rule also applies to the intervention process)) until their respective liabilities are fully settled.

The extra-judicial liquidation will also cease: (i) if interested parties undertake to continue the company's business activities, by presenting the necessary guarantees, at the discretion of the Central Bank; (ii) with the approval of the final accounts of the liquidator and entry in the appropriate public registry; (iii) when converted into ordinary liquidation; or (iv) with a decree of bankruptcy.

On the other hand, a request for liquidation procedures can be filed on reasonable grounds by the officers of the respective financial institution or by the receiver appointed by the Central Bank in the receivership proceedings.

Temporary Special Administration Regime (RAET)

In addition to the intervention procedures described above, the Central Bank may also establish a RAET, which is a less intrusive form of intervention in private and non-federal public financial institutions. A RAET also allows troubled institutions to continue to operate their activities in the ordinary course. The RAET may be ordered in the case of an institution which:

- enters into recurrent operations that are against economic or financial policies set forth in federal law;
- faces a shortage of assets;
- fails to comply with the compulsory reserves rules;
- has reckless or fraudulent management;
- carries out activities which call for an intervention; or
- the occurrence of any of the situations described above that may result in a declaration of intervention.

The main objective of a RAET is to assist the troubled institution under special administration to recover and avoid intervention and/or liquidation. A RAET does not affect the day-to-day business, operations, liabilities or rights of the financial institution, which continues to operate in the ordinary course.

There is no minimum term for a RAET, but such procedure ceases upon the occurrence of any of the following events: (i) acquisition of control of the financial institution by the Brazilian federal government, (ii) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (iii) decision by the Central Bank or (iv) declaration of extra-judicial liquidation of the financial institution.

Repayment of Creditors in a Liquidation or Bankruptcy

In the event of extra-judicial liquidation or bankruptcy of a financial institution, creditors are paid pursuant to their priorities and privileges. Pre-petition claims are paid on a pro rata basis in the following order:

- labor claims, capped at an amount equal to 150 times the minimum wages per employee, and claims relating to labor accidents;
- secured claims up to the encumbered asset value;
- tax claims, except tax penalties;
- claims with special privileges;
- claims with general privileges;
- unsecured claims;
- contractual fines and pecuniary penalties for breach of administrative or criminal laws, including those of a tax nature; and

- subordinated claims.

Super-priority and post-petition claims (for example, costs related to the liquidation or bankruptcy procedure), as defined under the BBL, are paid with preference over pre-petition claims.

In November 1995, the Central Bank created the FGC to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy or other state of insolvency. The member entities of the FGC are financial institutions, which take demand, time and savings deposits, as well as savings and loan associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits.

The FGC is a deposit insurance system that guarantees, pursuant to CMN Resolution No. 4,222 of May 23, 2013, as amended, a maximum amount of R\$250,000 of deposit and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, two laws, introduced in 1995, affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations adopted by CMN's Resolution No. 1,065 of December 5, 1985, as amended, provides penalties that can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such a cancellation is applicable under certain circumstances established by the Central Bank, such as in the case of repeated violation of the Central Bank regulations by the management of the financial institution or negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

Pursuant to CMN's Resolution No. 4,122 of August 2, 2012, the Central Bank may also cancel the financial institution's authorization to operate if one or more of the following situations occur: (i) failure to carry out the financial transactions that usually characterize the type of financial institution in which the respective entity is classified, (ii) operational inactivity, without acceptable justification, (iii) the institution is not located at the address that was provided to the Central Bank, (iv) failure to provide the financial statements required by the regulations to the Central Bank for over four months without acceptable justification, and/or (v) failure to observe the agreed business plan. The cancellation of a banking license may only occur after the appropriate administrative proceedings are carried out by the Central Bank.

Anti-Money Laundering Regulations

Law No. 9,613 of March 3, 1998, as amended by Law No. 12,683 of July 9, 2012 ("the Anti-Money Laundering Law"), plays a major role for those engaged in banking and financial activities in Brazil. The Anti-Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the "laundering" or concealing of property, rights and assets, as well as a prohibition on using the financial system for these illicit acts.

Pursuant to the Anti-Money Laundering Law, financial institutions must: (i) identify and maintain up-to-date records regarding their clients; (ii) maintain internal controls and records; (iii) review transactions or proposals

with characteristics which may indicate the existence of a money laundering crime; (iv) keep records of transactions involving electronic transfers and checks for a period of at least five years; (v) keep records of transactions that exceed R\$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years; (vi) keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R\$1,000; and (vii) inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

Pursuant to Circular 3,461 enacted by the Central Bank on July 24, 2009, as amended, which consolidated and improved Brazilian anti-money laundering legislation, financial institutions (including their branches and subsidiaries abroad) are required to: (i) keep up-to-date records regarding their customers (including statements of purpose and nature of transactions and the verification of characterization of customers as politically-exposed individuals); (ii) adopt preventive policies and internal procedures; (iii) record transactions involving Brazilian and foreign currency, securities, metals or any other asset which may be converted into money, including specific registries for issuance or recharging of prepaid cards; (iv) maintain records of transactions carried out by individuals or entities belonging to the same group of companies in an amount that exceeds R\$10,000 in a calendar month or reveals a pattern of activity that may suggest a scheme to avoid identification; (v) review transactions or proposals that may indicate criminal activity; (vi) maintain records of every transfer of funds related to (a) deposits, wire transfers, and checks, among others and (b) issuances of checks and order of payments, among others, in amounts that exceed R\$1,000; and (vii) notify the relevant authority of any transaction that may be considered suspicious by the financial institution.

The financial institutions must inform the Central Bank (without notifying the customer) of any transactions of the type referred to under (iii) and (iv) above that exceed R\$100,000. Notwithstanding, the financial institutions must review transactions that have characteristics which may indicate the existence of a crime and inform the Central Bank within one business day of the proposed or executed transaction, in accordance with Law No. 9,613 enacted on March 3, 1998, as amended. The records referred to above must be maintained for at least five years or ten years, depending on the nature of the information, from the end of the relationship with the customer. Failure to comply with any of the obligations indicated above may subject the financial institution and its officers and directors to fines and penalties that vary in amount, but in no event greater than, twice the amount of the transaction, twice the amount of the profit actually received (or the amount of profits that would have been received from the transaction, or R\$20.0 million) and which could lead to officers and directors to be considered ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances. On March 3, 1998, the Brazilian government created the Council of Control of Financial Activities (*Conselho de Controle de Atividades Financeiras*) ("COAF"), which operates under the Ministry of Finance. The purpose of the COAF is to investigate, examine, identify and impose administrative penalties in respect of any suspicious or unlawful activities related to money laundering in Brazil. The COAF is comprised of a president appointed by the Ministry of Finance and eleven members of the council, one of whom is appointed by each of the following entities: (i) the Central Bank; (ii) the CVM; (iii) the Ministry of Foreign Affairs; (iv) the SUSEP; (v) the Federal Revenue Service (*Secretaria da Receita Federal*); (vi) the Office of the Attorney-General of the Brazilian National Treasury; (vii) the Federal Police Department; (viii) the Federal Intelligence Agency; (ix) the Ministry of Justice; (x) the Ministry of Social Security; and (xi) Federal General Controller (*Controladoria Geral da União*). The term of office of each of the president and the other members of the council is three years.

On March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force. The main measures include: (i) enactment of Circular No. 3,583, which sets forth that (a) financial institutions must not initiate any relationship with clients or proceed with existing relationships, if it is not possible to fully identify such clients and (b) anti-money laundering procedures are also applicable to agencies and subsidiaries of Brazilian financial institutions located abroad; (ii) enactment of Circular No. 3,584, establishing that the institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify if the other party is physically present in the country where it was organized and licensed or is effectively supervised; and (iii) enactment of Letter Circular No. 3,542, which

increases the list of examples of transactions and situations which may characterize evidence of occurrence of money-laundering, tending to improve the communication between financial institutions and the COAF.

Banking Secrecy in Brazil

Brazilian financial institutions are also subject to strict bank confidentiality regulations and must maintain the secrecy of their banking operations and services provided to their customers. The only circumstances in which information about customers, services or transactions of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply to credit reference agencies of information based on data from the records of issuers of bank checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, in which case the financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts when necessary for the investigation of such acts. Complementary Law No. 105/01 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, *provided* that a specific treaty in that respect may have been previously executed.

Politically Exposed Individuals in Brazil

Pursuant to Central Bank Circular No. 3,461, issued by the Central Bank on July 24, 2009, as amended, financial institutions (including their branches and subsidiaries abroad) and other institutions authorized to operate by the Central Bank are required to take certain actions to establish business relationships with, and to follow-up on, financial transactions of customers who are deemed so-called “politically exposed individuals.”

For purposes of this regulation, politically exposed individuals are public agents and their immediate family members, spouses, life partners and step-children who occupy or have occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions.

Central Bank Circular No. 3,461 provides that the internal procedures developed and implemented by such financial institutions must be structured in such a way as to enable the identification of politically exposed individuals, as well as the origin of the funds involved in the transactions of such customers.

Auditing Requirements

We are required under the rules set forth by the Central Bank to prepare financial statements in accordance with the rules and accounting guidelines from the Central Bank (which are also part of Brazilian GAAP). As a financial institution, we are required by the Central Bank to (i) present annual and semi-annual audited financial statements; and (ii) file quarterly financial information with the CVM, with a specific review report prepared by independent auditors.

Under CMN Resolution No. 3,786 enacted on September 24, 2009, as from December 31, 2010, we are required to present, in addition to the statutory annual financial statements prepared under the accounting guidelines from the Central Bank, annual consolidated financial statements prepared in accordance with IFRS, and accompanied by an independent audit report confirming that the financial statements have been so prepared.

Internal Auditors

On June 29, 2017, the CMN issued Resolution No. 4,588, which establishes the rules applicable for internal audits at financial institutions and other institutions authorized to operate by the Central Bank. It determines that financial institutions and other institutions authorized to operate by the Central Bank have to implement and maintain internal audit functions compatible with the nature, size, complexity, structure, risk profile and business model of the respective institution. Such activity must be undertaken by a specific unit in the institution directly subordinated to the board of directors or by an independent auditor (provided that such auditor is not in charge of the institutions financial or any other activity that may imply a conflict of interest). Resolution No. 4,588 became effective as from the date it was enacted but will only require entities subject to such rule to take necessary measures and implement the necessary procedures and controls to comply with this new rule as from December 31, 2017.

Independent Auditors in Brazil

On May 27, 2004, the CMN issued Resolution No. 3,198, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as clearing houses and clearing and custody service providers. According to CMN Resolution No. 3,198, financial institutions (except for microcredit loan societies) must be audited by independent auditors. Financial institutions may only engage independent auditors that are duly registered with the CVM and certified as specialists in banking analysis by the Central Bank. In September 2008, the Central Bank amended previous rules it had established regarding the independence of auditors, and its current rules require a rotation for a period of at least five consecutive years for the partner in charge, manager, supervisor or any other members of the independent audit team who have had a managerial level role in the auditing work of a financial institution. Additional requirements imposed by the Central Bank relating to the work performed by independent auditors for a financial institution in Brazil, include the following:

- review during the execution of audit procedures, to the extent deemed necessary, the financial institution's internal controls and procedures, including in relation to its electronic data processing system, and identify any potential failings; and
- report on the financial institution's non-compliance with any applicable regulation to the extent it is material to its financial statements or activities.

Independent auditors and the fiscal council, when established, must notify the Central Bank of the existence or evidence of error or fraud within three business days of the identification of such error or fraud, including:

- non-compliance with rules and regulations that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the management of the institution;
- material fraud perpetrated by the institution's employees or third parties; and
- material errors in the accounting records of the audited entity.

Audit Committee

CMN Resolution No. 3,198, as amended, requires financial institutions and certain other entities holding a reference net worth equal to or greater than R\$1.0 billion to establish a corporate body designated as an "audit committee," which must be composed of at least three individual members, with a maximum term of office of five years each for publicly held companies. At least one of the members of the audit committee must have specific accounting and financial knowledge. The institution's fiscal council may perform the duties of the audit committee, provided it operates on a permanent basis, subject to the provisions of Resolution No. 3,198.

In addition, Brazilian legislation also permits the creation of a single committee for an entire group of companies. In this case, the audit committee or the fiscal council, as the case may be, should be responsible for any and all financial institutions comprising the same group, *provided* that these financial institutions comply with the requirements mentioned above.

Ombudsman Office

According to CMN Resolution No. 4,433, published on July 23, 2015, financial institutions must establish an ombudsman department, whose mission is to ensure strict compliance by financial institutions with the legal and regulatory regimes relating to consumer rights, and to mediate any conflicts among financial institutions and their clients and users of their products and services. The structure of a financial institution's ombudsman department must be compatible with the nature and complexity of its products, services, activities, processes and systems. In addition, to avoid a conflict of interest, its organizational structure must be distinct from any area of the financial institution's organization, such as the services and products trading, risk management and internal audit areas.

The following are the ombudsman department's responsibilities: (i) receiving, recording, instructing, analyzing and giving formal and adequate attention to claims from clients and users of products and services of financial institutions; (ii) providing clarifications regarding the status of a claim and information as to when a response is expected to be given; (iii) sending a final answer by the date on which a response is required; (iv) keeping the board of directors or, if one does not exist, the financial institution's board of executive officers, informed about the problems and shortcomings detected in the performance of its duties and the results of the actions taken by the financial institution's officers to solve them; and (v) preparing and sending to the internal audit department, to the audit committee (if one exists), and to the board of directors (or if one does not exist, to the board of executive officers of the financial institution), at the end of each fiscal semester, a quantitative and qualitative report about the ombudsman department's activities and its performance relative to its duties.

The constitutive documents of financial institutions must expressly state, among other provisions: (i) the duties of the ombudsman department; (ii) the criteria for selection and dismissal of the ombudsman and his or her term of office; and (iii) the express commitment of the institution to (a) create adequate conditions to enable the ombudsman department to perform his or her duties and also to ensure that the ombudsman can operate in a transparent, independent and impartial way, and (b) ensure that the ombudsman department has access to information necessary to enable it to respond adequately to any claims received from clients in the performance of its duties, with full administrative support and the ability to request information and documents as may be necessary to perform his or her duties.

Financial institutions must report and maintain updated information regarding the officer who is responsible for the ombudsman department and the structure of his or her office. This responsible officer must prepare a report every six months, as required by the Central Bank. In addition, Brazilian law allows for the creation of a single ombudsman department structure for a group of related companies, such that a single ombudsman department can have responsibility for all financial institutions that are part of the same group. Any financial institution carrying out leasing transactions, however, shall create its own segregated ombudsman structure.

Foreign Investment in Brazilian Financial Institutions

The Constitution of Brazil permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the President of Brazil based on national interest or reciprocity. In addition, foreign investors may acquire publicly traded non-voting shares of Brazilian financial institutions traded on a stock exchange without specific authorization.

Regulation of Branches and Subsidiaries

As provided by CMN Resolution No. 2,723, of May 31, 2000, as amended, the Central Bank requires authorization for operations of foreign branches or subsidiaries of Brazilian financial institutions, including compliance with the following: (i) the institution must have been in operation for at least six years; (ii) the institution must be in compliance with operational limits currently in force; (iii) the institution's paid-up capital and net worth must meet the minimum levels established in Exhibit II to CMN Resolution No. 2,099, of August 17, 1994, as amended, plus an amount corresponding to 300.0% of the minimum paid-up capital and net worth required by Central Bank regulations for the installation of commercial banks; and (iv) the Brazilian financial institution must present to the Central Bank a study on the economic and financial viability of the subsidiary, branch or investment.

In addition, the Central Bank will only grant such authorization if it has access to information, data and documents relating to the operations and accounting records of the financial institution in which it has a direct or indirect holding abroad. Furthermore, the failure by a Brazilian bank to comply with the requirements of CMN Resolution No. 2,723 would imply the deduction of a designated percentage of the assets of such branch or subsidiary from the net worth of such bank for the purpose of calculating such bank's compliance with the capital adequacy requirements of the Central Bank, regardless of other penalties applied pursuant to the applicable regulation, including the cancellation of the authorization of the Central Bank.

CMN Resolution No. 4122, of August 2, 2012, as amended, sets forth the Central Bank requirements and procedures for approving the establishment, authorization to operate, cancellation of authorization, changes of control and corporate reorganizations of Brazilian financial institutions. Such Resolution further requires the Central

Bank's approval for the election and confirmation of directors, executive officers and members of the audit committee as set forth in the company's by-laws.

The Central Bank's prior authorization is also required: (i) in order to allocate new funds to branches or subsidiaries abroad; (ii) for capital increases, directly or indirectly, of subsidiaries abroad; (iii) in order to increase equity interests, directly or indirectly, in subsidiaries abroad; and/or (iv) in order to merge with or spin-off from, directly or indirectly, subsidiaries abroad. These requirements are only applicable if such subsidiary is a financial institution or similar entity.

Equity Participations by Financial Institutions

As provided by CMN Resolution No. 2,723, of May 31, 2000, as amended, financial institutions may only directly or indirectly hold equity in legal entities (incorporated locally or abroad) that supplement or subsidize the financial institutions' activities, provided they obtain prior authorization from the Central Bank and that the other entity does not hold equity of the financial institution. However this requirement for authorization does not apply to (i) equity interests typically held in the investment portfolios of investment banks, development banks, development agencies (*agências de fomento*) and multiservice banks with investment or development portfolios; and (ii) temporary equity interests not registered as permanent assets of the financial institution.

Asset Management Regulation

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Law No. 10,198, of February 14, 2001, as amended, and Law No. 10,303 of October 31, 2001, the regulation and supervision of both financial mutual funds and variable income funds, as well as transactions involving derivatives, were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. The asset management industry is also self-regulated by ANBIMA (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), which enacts additional rules and policies, especially with respect to marketing and advertising.

According to CVM Instruction No. 558, of March 26, 2015 as amended, individuals or entities authorized by the CVM may act as managers of third party assets. Financial institutions must segregate the management of third party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets.

Regulation in the Cayman Islands

Banks and trust companies in the Cayman Islands must be licensed under the Banks and Trust Companies Law (2013 Revision). Licenses are granted by the Cayman Islands Monetary Authority. It is government policy that bank licenses should only be granted to applicants with an established track record in the banking or finance industry and that a branch or a new entity is or will be a member of a group with acceptable home-base supervising regulation.

Under the Banks and Trust Companies Law (2013 Revision), there are two basic categories of banking license: an "A" license, which permits unrestricted domestic and off-shore business, and a "B" license, which permits only off-shore business. According to the Cayman Islands Monetary Authority's website, as of September 30, 2017, there were 11 banks holding "A" licenses and 144 banks holding "B" licenses. The holder of a "B" license may have an office in the Cayman Islands and conduct business with other licensees and offshore companies but, except in limited circumstances, may not do business locally with the public or residents in the Cayman Islands.

Branches of foreign banks operating in the Cayman Islands, such as Banco BTG Pactual S.A., must maintain the minimum capital adequacy requirements as stipulated by their home jurisdictions. All other bank license holders are required to comply with the Cayman Islands Monetary Authority's implementation of the Basel II Framework for capital adequacy requirements.

Regulation in Luxembourg

General

In general, no person other than a credit institution, whose activity includes the granting of credits for its own account, may carry on the business of taking deposits or other repayable funds from the public in Luxembourg.

There are two types of credit institutions in Luxembourg:

- credit institutions which are engaged in all types of banking activities covered by the Luxembourg Banking Law and related laws and regulations and which have obtained the so-called “universal banking license”; and
- specialized credit institutions, which are not generally authorized to conduct all types of banking transactions but rather more specific activities such as issuing mortgage bonds.

Credit institutions in Luxembourg must be licensed and are governed by, among other laws and regulations, the Luxembourg Banking Law and EU regulations.

Further to Regulation (EU) No 1024/2013 of 15 October 2013 (the “SSM Regulation”) and ECB Regulation (EU) No 468/2014 of 16 April 2014 (the “SSM Framework Regulation”), which became operational on 4 November 2014, the European Central Bank (the “ECB”) has power over the authorization (and withdrawal of authorization and acquisition of holdings) of banks.

According to this new framework, application for a Banking license must first be submitted to the CSSF in accordance with the requirements set out in the Luxembourg Banking Law and related regulations. When the applicant complies with all conditions of authorization set out in the Luxembourg Banking Law and related regulations, the CSSF shall take a draft decision to propose to the ECB to grant the authorization. The draft decision shall be deemed to be adopted by the ECB unless the latter objects within a maximum period of ten working days (extendable once for the same period in duly justified cases). The Luxembourg Minister of Finance will seek advice from the CSSF and the ECB before granting the banking license.

The Luxembourg Branch and its subsidiary Banco BTG Pactual Luxembourg S.A., have both obtained a universal banking license in Luxembourg.

Branches of credit institutions originating from a country outside the EU and the EEA that perform banking activities, such as the Luxembourg Branch, need to obtain a banking license in Luxembourg and are in principle subject to the same authorization rules as those applicable to credit institutions located in Luxembourg. As of the date of this Offering Memorandum, compliance with these rules is, for a large part, assessed by the CSSF in relation to the foreign bank. However, a Luxembourg branch is also subject to additional rules, such as (i) a permanent disposal of an endowment capital or capital base equivalent to that required for a Luxembourg bank (authorized share capital of EUR8,700,000 of which EUR6,200,000 must be fully paid up) (ii) approved representatives with sufficient professional standing and experience, (iii) rules in relation to sound and prudent management (iv) the existence of a satisfactory administrative infrastructure in Luxembourg, (v) compliance with, among other requirements, certain own funds requirements and liquidity ratios and (vi) restrictions when acquiring participations in other companies. As of the date of this Offering Memorandum the CSSF may exempt the branch for certain rules and requirements. In general such exemption is granted if the CSSF considers that the supervision of the foreign bank is sufficient for the relevant purposes.

Generally, credit institutions established in Luxembourg in accordance with the Luxembourg Banking Law (including Luxembourg branches of credit institutions located outside the EU and EEA) are obliged to comply with the EU legal regulatory framework, including, without limitation, (i) the CRD IV package consisting of Directive 2013/36/EU as implemented in the Luxembourg Banking Act and Regulation 575/2013; (ii) Directive 2004/39/EC on markets in financial instruments (MiFID) and (iii) Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

Luxembourg credit institutions (including Luxembourg branches of credit institutions located outside the EU and EEA) must also comply with capital ratios and capital requirements in order to ensure the creditworthiness and liquidity of Luxembourg credit institutions. Such ratios relate, amongst others, to own funds, concentrations of risk, solvency, capital adequacy, liquidity. The Luxembourg Branch is, together with the competent regulators, currently assessing to which extent it will be subject to a number of such ratios and requirements that apply in Luxembourg. See “Risk Factors—Minimum capital adequacy requirements imposed on us following the implementation of the Basel III Accord may negatively impact our results of operations and financial condition.”

Luxembourg credit institutions are required to have robust internal governance arrangements, which include a clear organizational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks they are or might be exposed to, adequate internal control mechanisms, including sound administrative and accounting procedures and remuneration policies and practices that are consistent with and promote sound and effective risk management, as well as control and security mechanisms of their IT systems. The rules related to such organization and structures are set forth in the Luxembourg Banking Act and CSSF Circular 12/552, as amended.

Supervision

Since 4 November 2014, “significant” Luxembourg credit institutions are subject to the direct supervision of the ECB (albeit acting with the day-to-day assistance of the CSSF). The CSSF is responsible for the supervision of “less significant” banks under the oversight of the ECB. However, the ECB can decide at any time to take over the direct supervision of any one of these banks to ensure consistent application of high supervisory standards. The list of “significant” and “less significant” credit institutions is regularly published by the ECB on the basis of the criteria set out in the SSM Framework Regulation. The powers to supervise credit institutions located outside of the EU and EEA and establishing a branch in Luxembourg remain the competence of the CSSF.

The Luxembourg Central Bank (“BCL”), is in charge of essential missions regarding monetary policy, the issuing of banknotes, financial stability, payment systems and economic analysis. In this context it is also responsible for supervising general liquidity in the markets as well as evaluating market operators for this purpose (including credit institutions). The scope of the BCL’s task in respect to the supervision of general liquidity is set out in the BCL’s Regulation 2009/N°4 of 29 April 2009 on the supervision of liquidity.

Reporting

As of the date of this Offering Memorandum, credit institutions are subject to extensive Luxembourg reporting requirements, which in general consist of (i) periodic reporting and (ii) TAF/MifID reporting. For prudential supervisory purposes, the Luxembourg credit institutions are required to transmit to the CSSF data relating to their activities on a monthly, quarterly, half-yearly or annual basis, depending on the object (periodic reporting). For the purpose of supervising markets in financial instruments, Luxembourg credit institutions are required to report to the CSSF all transactions in financial instruments admitted to trading on a regulated market of the EEA whether or not these transactions have been made on a regulated market (TAF/MifID reporting). As from January 2014, reporting requirements applicable to credit institutions are laid down in European regulations (e.g. Regulation (EU) 575/2013), while national provisions (CSSF Circulars) continue to apply for other reporting areas.

Credit institutions also have regulatory reporting obligations towards the BCL. Such reporting obligations are, amongst others, set out in BCL Regulation 2011/9 on data collection on instruments and payment operations.

Deposit

Luxembourg credit institutions are required to maintain on deposit with the BCL a certain level of reserves in accordance with the EU Council Regulation concerning the application of minimum reserves by the ECB (no 2531/98 of 23 November 1998 as modified by Council Regulation (EC) No 134/2002 of 22 January 2002) and Regulation (EC) No 1745/2003 of the European Central Bank of 12 September 2003 concerning the application of minimum reserves (BCE/2003/9) as amended by Regulation (EU) 2016/1705 of the European Central Bank of 9 September 2016, as last amended by Regulation (EU) No 1376/2014 of the European Central Bank of 10 December 2014. Commercial banking operations in Luxembourg may also be subject to supervision by the ECB in coordination with the BCL when establishing monetary policies.

Deposit Guarantees

In general, all Luxembourg credit institutions are required, pursuant to the Luxembourg Banking Act, to participate in a deposit guarantee scheme and in an investors' compensation scheme established in Luxembourg, *the Association pour la garantie des depots* (the "AGDL").

Natural persons who are customers of a Luxembourg credit institution benefit from the two aforementioned schemes. In addition, companies governed by Luxembourg law or the law of another EU Member State also benefit under certain conditions from such schemes.

Guaranteed cash deposits (as defined by the AGDL) are guaranteed up to a maximum value equivalent to €100,000. In addition, the AGDL guarantees, under the investors' compensation scheme, claims up to a maximum value equivalent to €20,000. If the AGDL guarantee is invoked following the failure of a member of the AGDL, payment under the guarantee is effected by means of a contribution made by each member to the AGDL, determined in accordance with the rules defined in the articles of association of the AGDL.

These schemes will be impacted by developments at European level, notably with the introduction of the Single Resolution Mechanism, the amendments of the Deposit Guarantee Scheme Directive and the Bank Recovery and Resolution Directive.

Money Laundering

Luxembourg credit institutions are required to have adequate proceedings to prevent operations related to money laundering or terrorist financing and to enable them to respond promptly to inquiries from the Luxembourg authorities responsible for combating money laundering and the financing of terrorism.

Luxembourg credit institutions are also obliged to establish procedures allowing for the identification of customers (as well as their beneficial owners and/or of an agents, if any) and to have in place systems for assessing and managing money-laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

Luxembourg credit institutions are also required to report to a special judicial authority (*Cellule de Renseignement financier*), any transaction that they suspect to be related to money laundering or the financing of terrorism.

Reorganization measures of Luxembourg branches

Luxembourg branches of non-European credit institutions subject to reorganization measures which are decided upon by the administrative or judicial authorities of the State in which it has its registered office and which, according to the law of that State, are effective in Luxembourg shall be fully effective in Luxembourg, without any further formalities, in accordance with the legislation of the home State. This rule shall also apply where Luxembourg law does not provide for such measures or makes their implementation subject to conditions which are not fulfilled. The reorganization measures shall be effective in Luxembourg once they become effective in the State where they have been taken.

However, the Luxembourg District Court shall have jurisdiction to declare, upon application by the CSSF, a suspension of payments in respect of a Luxembourg branch of a non-European credit institution. The CSSF alone shall be competent to apply to the Luxembourg District Court for a declaration of suspension of payments, if it considers this necessary in order to preserve the interests of creditors of the Luxembourg Branch.

The Single Resolution Mechanism centrally implements in participating Member States the EU's Bank Recovery and Resolution Directive, the framework for the recovery and resolution of credit institutions and investment firms found to be in danger of failing. A Single Resolution Fund to finance the restructuring of failing credit institutions is planned to be established as an essential part of the Single Resolution Mechanism. The resolution scheme is set to be launched on 1 January 2016, provided that the Single Resolution Fund has been established and funded prior of this date. Provisions on the preparation of resolution planning, the collection of information and cooperation with national resolution authorities apply from 1 January 2015. Provisions relating to

resolution planning, early intervention, resolution actions and resolution instruments, including the bail-in of shareholders and creditors, will apply from 1 January 2016, if the conditions for the transfer of contributions to the Single Resolution Fund are met. The Single Resolution Mechanism will function in conjunction with the other main pillar of the EU banking union, the Single Supervisory Mechanism.

Cancellation of banking license

Luxembourg banking licenses are withdrawn if (i) the credit institution does not make use of the license within 12 months, expressly renounces the license or has ceased to engage in business for the preceding six months; (ii) it has been obtained by making false statements or by any other irregular means or (iii) the credit institution is no longer able to fulfill its obligations towards its creditors. Further to the SSM Regulation and SSM Framework Regulation, both the ECB and the CSSF now have the right to initiate the withdrawal of a banking license in certain circumstances.

Regulation in the United Kingdom

One of our operating entities, BTG Pactual Europe LLP (“BTG Pactual Europe”), is authorized by the FCA to provide investment services in the United Kingdom. As an FCA authorized investment advisor, BTG Pactual Europe’s operations are subject to the supervision of the FCA, and BTG Pactual Europe is required to comply with the rules issued by the FCA regarding its operations. The FCA rules require BTG Pactual Europe to meet the standard set for different areas of its operations. The FCA rules are concerned with, among other matters, the following items:

- satisfying at all times the threshold conditions for authorization;
- having adequate senior management arrangements, systems and controls which includes operational, market, counterparty and other risk assessment;
- regulatory capital requirements;
- conduct of business requirements, including the fair treatment of customers and the suitability of investment decisions made for client portfolios;
- training and qualifications of employees and management;
- complaints handling processes;
- internal systems and controls to prevent market abuse, insider dealing, money laundering and terrorist financing, sanctions breaches, bribery and other financial crime; and
- executive remuneration.

BTG Pactual Europe must also, in undertaking its business and operations, act in accordance with the FCA’s Statements of Principle for Businesses (the “Principles”). Pursuant to the Principles, BTG Pactual Europe is required to:

- conduct its business with integrity and with due skill, care and diligence;
- take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- maintain adequate financial resources;
- observe proper standards of market conduct;
- pay due regard to the interests of its customers and treat them fairly;

- pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading;
- manage conflicts of interest fairly, both between itself and its customers and between a customer and another client;
- take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- arrange adequate protection for clients' assets when it is responsible for them; and
- deal with its regulators in an open and cooperative way, and disclose to the FCA appropriately anything relating to BTG Pactual Europe of which the FCA would reasonably expect notice.

Regulation in the United States

The securities industry is subject to extensive regulation under U.S. federal and state laws. Accordingly, we and certain of our U.S. subsidiaries are subject to regulation, including periodic examination, primarily at the federal level, by the SEC and FINRA, a self-regulatory organization, and other government agencies and regulatory bodies.

Our subsidiary, BTG Pactual Asset Management US, LLC, is registered as an investment adviser with the SEC and is subject to various laws and regulations that are primarily intended to protect investment advisory clients. The Investment Advisers Act of 1940, as amended (the "Advisers Act"), imposes numerous obligations on investment advisers, including record-keeping, operational and marketing requirements, disclosure obligations, and prohibitions on fraudulent activities. Investment advisers are also subject to certain state securities laws and regulations. FINRA itself is subject to oversight by the SEC.

Our subsidiary, BTG Pactual US Capital, LLC, is registered as a broker-dealer with the SEC and is a member of FINRA. Our broker-dealer has a membership agreement with FINRA that limits the scope of its permitted activities, and our broker-dealer is required to comply with various laws and regulations. Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record-keeping, the financing of customers' purchases and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of FINRA, BTG Pactual US Capital, LLC is subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Exchange Act. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. Our broker-dealer is required to maintain minimum net capital of US\$250,000. Broker-dealers are also subject to certain state securities laws and regulations.

In addition, U.S. Congress, regulators, and others continue to consider increased regulation of the securities industry and, in particular, the private investment fund industry, including placing limits on certain trading activities, increasing trading costs and requiring greater reporting requirements. It is difficult to predict how changes in regulations might affect us, the markets in which we trade and invest, and the counterparties with which we do business. We may be materially and adversely affected by new legislation, rule-making, or other changes in the interpretation of enforcement of existing rules and regulations by various regulators.

Non-compliance with federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines, damage to our reputation and termination of our investment adviser's or our broker-dealer's authorization to conduct its business.

Regulations in Chile

Celfin is subject to regulation by the SBIF in Chile. In addition, Celfin is also subject to regulation by the Central Bank of Chile with regard to certain matters, including reserve requirements, interest rates, foreign exchange mismatches and market risks. Pursuant to the Chilean General Banking Law, all Chilean financial institutions may only, subject to the approval of the SBIF, engage in certain businesses in addition to commercial banking depending on the risk associated with such business and their financial strength. Such additional businesses include securities

brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The SBIF authorizes the creation of new financial institutions and has broad powers to interpret and enforce legal and regulatory requirements applicable to financial institutions. Furthermore, in case of noncompliance with such legal and regulatory requirements, the SBIF has the ability to impose sanctions, including fines payable by the directors, managers and employees of a financial institutions as well as the financial institutions itself. In extreme cases, it can by special resolution appoint, with the prior approval of the board of directors of the Central Bank of Chile, a provisional administrator to manage a bank. It must also approve any amendment to a financial institution's by-laws or any increase in its capital.

Regulations in Colombia

Bolsa y Renta is subject to regulation by the Central Bank of Colombia, the Colombian Ministry of Finance ("Ministry of Finance"), the Colombian Superintendency of Finance, the Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*) and the Self-Regulatory Organization (*Autorregulador del Mercado de Valores-AMV*). The Colombian Superintendency of Finance is the authority responsible for supervising and regulating financial institutions, including Bolsa y Renta. The Colombian Superintendency of Finance has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The Colombian Superintendency of Finance can also conduct on-site inspections of Colombian financial institutions. The Colombian Superintendency of Finance is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers. Financial institutions must obtain the prior authorization of the Colombian Superintendency of Finance before commencing operations. Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will apply to the Notes referred to in such Final Terms:

The Notes (as defined in Condition 1(a)) are constituted by an amended and restated trust deed (as amended from time to time, the “Trust Deed”) dated December 7, 2017 and made between Banco BTG Pactual S.A. (the “Bank”) and Deutsche Trustee Company Limited (the “Trustee” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders and Couponholders (each as defined in Condition 1(c)). In these terms and conditions the “Issuer” means the Bank acting through its head office, through its Cayman Islands Branch or through its Luxembourg Branch as specified on the Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the Coupons (if any) relating to them (the “Coupons”). Copies of the Trust Deed and of the amended and restated agency agreement (as amended from time to time, the “Agency Agreement”) dated December 7, 2017 and made between the Bank, the Trustee and the Agents (as defined below) are available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agent in London, the other paying agents, the calculation agent, the registrar, the exchange agent and the transfer agents for the time being. Such persons are referred to below respectively as the “Principal Paying Agent,” the “London Paying Agent,” the “Paying Agents” (which expression shall include the London Paying Agent but shall not include the Principal Paying Agent), the “Calculation Agent,” the “Registrar” (which expression shall mean, in respect of any Note represented by a DTC Global Note, the U.S. Registrar and, in respect of any Note represented by a European Global Note, the European Registrar), the “Exchange Agent” and the “Transfer Agents” and together as the “Agents.” The Noteholders and the holders of the Coupons (if any) (the “Couponholders”) and, where applicable in the case of interest-bearing Notes in bearer form, talons for further Coupons (the “Talons”) are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms (as defined in Condition 1(e)) and are deemed to have notice of those applicable to them of the Agency Agreement.

1. **Form, Denomination, Title, Specified Currency and Final Terms**

(a) *Form:* Each Series (as defined in Condition 1(c)) of Notes of which the Note to which these Conditions are attached forms part (in these Conditions, the “Notes”) is issued either in bearer form (“Bearer Notes”) or in registered form (“Registered Notes”), and Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination (as defined in Condition 1(b)). These Conditions must be read accordingly. The Specified Denomination of each Note is specified on it.

A definitive Note will be issued to each holder of Registered Note(s) in respect of its registered holding or holdings (each a “Definitive Registered Note”). Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the “Register”) which the Issuer shall procure to be kept by the Registrar.

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

(b) *Denomination:* “Specified Denomination” means the denomination or denominations specified on such Note. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination (if any).

(c) *Title:* Title to the Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing

thereon made by anyone.

In these Conditions, “Noteholder” and, in relation to a Note, Coupon or Talon, “holder,” means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), “Series” means Notes which have identical terms and conditions, other than in respect of the Issue Date, Interest Commencement Date and/or Issue Price (as defined in Condition 5(III)), the date on which interest commences to accrue and related matters, and “Tranche” means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) *Specified Currency:* The Specified Currency of any Note and, if different, any Specified Principal Payment Currency and/or Specified Interest Payment Currency, are as specified on such Note. All payments of principal in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms:* References in these Conditions to terms specified on a Note shall be deemed to include references to terms specified in the applicable Final Terms issued in respect of a Tranche which includes such Note (each the “Final Terms”). Capitalized terms used in these Conditions in respect of a Note, and not specifically defined in these Conditions, have the meaning given to them in the applicable Final Terms issued in respect of a Tranche which includes such Note. Additional provisions relating to the Notes may be contained in the Final Terms or specified on the Note and will take effect as if originally specified in these Conditions. The Final Terms in respect of Index Linked Interest Notes, Installment Notes, Dual Currency Notes and other types of Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Notes. Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

2. Transfers of Registered Notes and Issue of Definitive Registered Notes

(a) *Transfer of Registered Notes:* A Registered Note may be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer of such Registered Note will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 6(e) or (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6.

(d) *Regulations:* All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of a Registered Note upon request.

3. **Status**

The Notes and Coupons of all Series (subject to Condition 4) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4. **Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist any Security upon the whole or any part of its undertakings or assets, present or future (including any uncalled capital) to secure (i) any of its Public External Indebtedness; or (ii) any of its Guarantees in respect of Public External Indebtedness; without at the same time or prior thereto securing the Notes equally and ratably therewith or providing such other security for the Notes as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

For the purpose of these Conditions:

(a) “External Indebtedness” means Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency other than the currency of the Federative Republic of Brazil (“Brazil”) and (ii) to a person resident or having its principal place of business outside Brazil.

(b) “Guarantee” means any obligation of a person to pay the Indebtedness of another person including without limitation:

- (i) an obligation to pay or purchase such Indebtedness;
- (ii) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) an indemnity against the consequences of a default in the payment of such Indebtedness; or
- (iv) any other agreement to be responsible for such Indebtedness.

(c) “Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

(d) “person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

(e) “Public External Indebtedness” means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are for the time being or are capable of being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

(f) “Security” means any mortgage, pledge, lien, hypothecation or security interest including, without limitation, any equivalent created or arising under the laws of Brazil.

5. **Interest**

One or more of the following provisions apply to each Note, as specified on such Note.

(I) Fixed Rate Notes

This Condition 5(I) applies to a Note in respect of which the Fixed Rate Note Provisions are specified on such Note as being applicable (a “Fixed Rate Note”).

(a) *Interest Rate and Accrual:* Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified on such Note. Such interest is payable in arrears on each Interest Payment Date in each year and on the Maturity Date specified on such Note if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Note may be specified on such Note as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount.

The first payment of interest on a Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Note will be the amount specified on the relevant Note as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified on the relevant Note as being the final Broken Amount.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(I) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(b) *Calculations:* Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Interest Payment Date) will be calculated using the applicable Day Count Fraction (as defined in Condition 5(III)).

(II) Floating Rate Notes

This Condition 5(II) applies to a Note in respect of which the Floating Rate Note Provisions are specified on such Note as being applicable (a “Floating Rate Note”).

(a) *Specified Interest Payment Dates:* Each Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof, and such interest will be payable in arrears on each Specified Interest Payment Date (as defined in Condition 5(III)).

(b) *Rate of Interest:* Each Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified on such Note (each a “Benchmark”). The dates on which interest shall be payable on a Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified on such Note. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified on such Note, be determined by the Calculation Agent on the basis of the following provisions:

- (i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period (as defined in Condition 5(III)), the Calculation Agent will:
 - (A) in the case of a Note which specifies that the Primary Source for Floating Rate shall be derived from a specified page, section or other part of a particular information service (each as specified on such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate (as defined in Condition 5(III)) so appearing in or on that

page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

- (B) in the case of a Note which specifies that the Primary Source for Floating Rate shall be the Reference Banks specified on such Note and in the case of a Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest for which is to be determined by reference to quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Center (as defined in Condition 5(III)) of each of the Reference Banks specified on such Note (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(h)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.
- (ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Reference Rates quoted by those Reference Banks.
- (iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:
 - (A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied; and
 - (B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Center for such Specified Currency or, if the Specified Currency is euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Center or, if the Specified Currency is euro, in Europe, provided that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the rate of interest specified in Condition 5(II)(b)(iii)(A).
- (iv) In the case of a Note which specifies that the manner in which the Rate of Interest is to be

determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (iv), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified on such Note;
- (b) the Designated Maturity is a period specified on such Note; and
- (c) the relevant Reset Date is the first day of that Interest Period unless otherwise specified on such Note.

For the purposes of this sub-paragraph (iv), "Floating Rate," "Calculation Agent," "Floating Rate Option," "Designated Maturity," "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(c) *Minimum/Maximum Rates:* If a Minimum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event be less than it and if a Maximum Rate of Interest is specified on a Note, then the Rate of Interest applicable to that Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5 and calculate the amount of interest payable (the "Interest Amounts") in respect of each Specified Denomination of the relevant Notes (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin (as defined in Condition 5(III)) and/or Rate Multiplier (as defined in Condition 5(III)) to each Specified Denomination (in the case of Bearer Notes) and the minimum Specified Denomination (in the case of Registered Notes), and multiplying such product by the applicable Day Count Fraction (as defined in Condition 5(III)) rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards or, in the case of Yen downwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and no liability shall attach to the Calculation Agent in connection with the exercise of its powers, duties and discretions hereunder, except by reason of its own gross negligence or willful misconduct in connection with such exercise.

(e) *Notification of Rate of Interest and Interest Amounts:* The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Specified Interest Payment Date to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 17) and if the relevant Notes are for the time being listed on any stock exchange (each an "Exchange") and the rules of that Exchange so require, the Exchange as soon as possible after their determination but in no event later than two Relevant Business Days (as defined in Condition 5(III)) after their determination. The Interest Amounts and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Interest Accrual:* Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(II) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(g) *Determination or Calculation by the Trustee:* If the Calculation Agent does not at any time for any reason determine the Rate of Interest or calculate the Interest Amounts for an Interest Period, the Trustee may do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5(II), with any necessary consequential amendments,

to the extent it can do so (having such regard as it thinks fit to sub-paragraph (b) above), and in all other respects it shall do so in accordance with sub-paragraph (d) above. The determination of the Rate of Interest and the Interest Amounts by the Trustee in accordance with this sub-paragraph (g) shall (in the absence of manifest error) be final and binding upon all parties and no liability shall attach to the Trustee in connection with the exercise of its powers, duties and discretions hereunder, except by reason of its own gross negligence or willful misconduct in connection with such exercise.

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note and, so long as the Primary Source for Floating Rate for such Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Center. The Issuer will also ensure that, in the case of any Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Note with offices in the Relevant Banking Center. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Center to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) Definitions

As used in these Conditions:

“Business Day Convention” means either:

- (A) the “Floating Rate Business Day Convention,” in which case interest on a Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, provided that:—
 - (x) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day (as defined below) in that calendar month;
 - (y) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and
 - (z) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or
- (B) the “Modified Following Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest

Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

- (C) the “Following Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or
- (D) the “Preceding Business Day Convention,” in which case interest on a Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or
- (E) such other Business Day Convention as may be specified on the relevant Note.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “Calculation Period”):

- (i) if “Actual/365” or “Actual/Actual - ISDA” is specified on such Note, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified on such Note, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified on such Note, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360,” “360/360” or “Bond Basis” is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “30E/360” or “Eurobond Basis” is specified on such Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (vi) if “Actual/Actual - ISMA” is specified on such Note, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in

any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (vii) if “Bus/252” is specified on such Note, the number of Relevant Business Days in the Calculation Period divided by 252.

For the purposes of this definition of Day Count Fraction:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such on the relevant Note or, if none is so specified, the Interest Payment Date.

“Interest Commencement Date” means, in the case of the first issue of a Note or Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date on such Note.

“Interest Determination Date” means, in respect of any Interest Period, the date which falls that number of days specified on the relevant Note on which banks and foreign exchange markets are open for business in the Relevant Banking Center prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

“ISDA Definitions” means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified on the relevant Note.

“Issue Date” means, in respect of any Note or Notes, the date of issue of such Note or Notes.

“Margin” means the percentage rate per annum specified on the relevant Note.

“Rate Multiplier” means the percentage rate or number applied to the relevant Rate of Interest, as specified on the relevant Note.

“Reference Rate” means, for any Note, the bid, offered or mean of bid and offered rate, as specified on such Note, for the floating rate specified on such Note.

“Relevant Banking Center” means, for any Note, the Relevant Banking Center specified on such Note or, if none is so specified, the banking center with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

“Relevant Business Day” means:

- (A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Center; or
- (B) in the case of euro, a TARGET Business Day; and

- (C) in the case of any currency, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Business Center(s) as set forth in the Final Terms.

“Relevant Financial Center” means the principal financial center for the relevant currency (which in the case of euro shall be Europe).

“Relevant Time” means the local time in the Relevant Banking Center at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Center or, if no such customary local time exists, 11.00 hours in the Relevant Banking Center, except that “local time,” with respect to Europe as a Relevant Banking Center, means 11.00 hours Brussels time.

“Specified Interest Payment Date” means each date which falls the Interest Period specified on the relevant Note after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Note, in each case as adjusted by the Business Day Convention specified on such Note.

“TARGET Business Day” means a day on which the TARGET System is operating.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(IV) Zero Coupon

This Condition 5(IV) applies to a Note in respect of which the Zero Coupon Note Provisions are specified on such Note as being applicable (a “Zero Coupon Note”).

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as determined in accordance with Condition 6(d)(i)(C). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount (“Final Redemption Amount”) being its nominal amount or such other amount as is specified on such Note on the applicable Maturity Date specified on such Note.

(b) *Purchases:* The Issuer and any of its Subsidiaries may at any time purchase Notes at any price (provided that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 11 and 12.

(c) *Redemption for Taxation Reasons:* Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note the interest basis for which is specified on such Note as Fixed Rate or Zero Coupon) or on any Specified Interest Payment Date (in the case of a Note the interest basis for which is specified on such Note as Floating Rate), on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), at their Early Redemption Amount (as defined in the Final Terms), (together with interest accrued to the date fixed for redemption) or (in the case of Notes the interest basis for which is specified on such Note as Zero Coupon) at their Amortized Face Amount (as determined in accordance with Condition 6(d)(i)(C)), if (i) the Issuer satisfies the Trustee immediately prior to the

giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified on such Notes as a result of (I) in the case of notes issued by the Bank acting through its head office, any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, (II) in the case of Notes issued by the Bank acting through its Cayman Islands Branch, any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (III) in the case of Notes issued by the Bank acting through its Luxembourg Branch, any change in, or amendment to, the laws or regulations of Brazil or Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of such Notes were then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two authorized officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon the expiring of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) *Early Redemption:*

(i) *Zero Coupon Notes:* This Condition 6(d)(i) applies to a Zero Coupon Note.

- (A) The amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified on such Note.
- (B) Subject to Condition 6(d)(i)(C), the “Amortized Face Amount” of any Note shall be the sum of (A) the Reference Price specified on such Note and (B) the aggregate amortization of the difference between the Reference Price and the nominal amount of such Note from the Issue Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortization Yield specified on such Note applied to the Reference Price in the manner specified on such Note. Where the specified calculation is to be made for a period of less than one year, it shall be made using the applicable Day Count Fraction.
- (C) If the amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(c), (e) or (f), if applicable, or upon it becoming due and payable as provided in Condition 9, is not paid when due, the amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 6(d)(i)(B), except that Condition 6 shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortized Face Amount in accordance with this Condition 6(d)(i)(C) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the nominal amount of such Note together with any interest which may accrue on such Note in accordance with Condition 5(IV).

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(d)(i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified on such Note.

(e) *Redemption at the option of the Issuer (Call option):* If so provided on a Note, the Issuer may, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Note (and, if such Notes are listed on an Exchange, to the Exchange) irrevocable notice in accordance with Condition 17 of not less than 30 nor more than 60 days (or such other notice period as specified on such Note) redeem or procure the redemption or purchase of all or, if so specified on such Note, some of the Series of Notes of which such Note forms part, on the Optional Redemption Date(s) specified on such Notes (which shall, in the case of a Note which has applicable to it at the time of redemption or purchase an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase, provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms or Notes at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption or purchase. All Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 6(e). If only some of the Notes of a Series are to be redeemed or purchased at any time, the Notes to be redeemed or purchased shall be determined by the Registrar following the drawing of lots. In the case of a partial redemption by way of lot, the notice to Noteholders shall also contain the serial numbers and nominal amount of the Notes to be redeemed or purchased, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, clearing system and Exchange requirements.

(f) *Redemption at the option of Noteholders (Put option):* If so provided on a Note, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Note, redeem or (at the option of the Issuer) procure the purchase of such Note on the Optional Redemption Date(s) specified on such Note (which shall, in the case of a Note which has applicable to it at the time of redemption or purchase an interest basis which is specified on such Note as Floating Rate, be a Specified Interest Payment Date) at the amount specified on such Note as the Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption or purchase, provided, however, that if the Issuer so elects, the Issuer may, in lieu of redeeming such Notes, procure that any person designated by the Issuer may purchase such Notes on the Optional Redemption Date(s) specified in the Final Terms or Notes at the Optional Redemption Amount, together with an amount equal to interest accrued to (but excluding) the date fixed for redemption or purchase. To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent not more than 60 nor less than 30 days (or such other deposit period as may be specified on such Note) prior to the relevant date for redemption. No Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified on such Note of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(f) shall be given by the Issuer to Noteholders (and, if such Notes are listed on an Exchange, to the Exchange) in accordance with Condition 17.

(g) *Cancellation:* All Notes redeemed in accordance with this Condition 6, and any unmatured Coupons or Talons attached to them, will be cancelled forthwith. Any Notes purchased in accordance with this Condition 6, and any unmatured Coupons or Talons purchased with them, may at the option of the Issuer be cancelled or may be resold. Notes which are cancelled following any redemption or purchase made in accordance with this Condition 6 may at the option of the Issuer be re-issued together with any unmatured Coupons or Talons. Any resale or re-issue pursuant to this Condition 6(g) shall only be made in compliance with all relevant laws, regulations and directives.

7. Payments

- (a) *Bearer Notes:*

(i) Payments of Principal and Interest

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, by, and at the specified office of, any Paying Agent outside the United States and its possessions:

- (1) in respect of payments denominated in a Specified Currency (or, if different, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be) other than U.S. dollars, at the option of the holder either by a check in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be drawn on, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with a bank in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or in the case of euro, in a city in which banks have access to the TARGET System;
- (2) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), at the option of the holder either by a U.S. dollar check drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States; or
- (3) as may otherwise be specified on such Notes as an Alternative Payment Mechanism.

(ii) Payments in the United States

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made by, and at the specified office of, any Paying Agent in New York City in the same manner as aforesaid if (1) the Maturity Date of such Bearer Notes is not more than one year from the Issue Date for such Bearer Notes or (2) (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of any Paying Agent in the United States or its possessions in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.

(iii) Payments on Business Days

Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(a), “business day” means a day on which banks are open for business in such jurisdictions as shall be specified on such Note as “Financial Centers” and:

- (1) in the case of a payment in a currency other than euro where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment

Currency, as the case may be, on which dealings may be carried on in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be; or

- (2) in the case of payment in euro, a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest (if any) accrued on a Bearer Note the interest basis for which is specified on such Note as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) *Registered Notes:*

(i) *Payments of Principal and Interest*

Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the Principal Paying Agent or its agent on the due date for payment to the person shown on the Register at the close of the DTC business day or the Clearstream, Luxembourg / Euroclear business day before the due date for payment thereof (the “Record Date”):

- (1) by check drawn on, by wire transfer or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with, a bank in the Relevant Financial Center of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or, in the case of euro, in a city in which banks have access to the TARGET System; or
- (2) as may otherwise be specified on such Notes as an Alternative Payment Mechanism,

subject in each case to Condition 7(b)(iii). For the purposes of this Condition 7(b), “DTC business day” means any day on which DTC (as defined in Condition 7(b)(iii)) is open for business. “Clearstream, Luxembourg / Euroclear business day” means any day on which Clearstream, Luxembourg and Euroclear are open for business.

Payments of principal in respect of Registered Notes will only be made against surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent. Upon application by the holder to the specified office of any Transfer Agent not less than one business day before the due date for any payment in respect of a Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Center or, in the case of euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered holder’s payments will be made should be notified by the holder to the specified office of the Principal Paying Agent before the Record Date preceding the relevant date for payment. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Registered Note with a nominal amount equal to the remaining unpaid nominal amount.

(ii) *Payment Initiation*

Where payment is to be made by transfer to an account in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by check, the check will be mailed on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Registered Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Definitive Registered Note is surrendered.

(iii) Payments Through The Depository Trust Company

Registered Notes, if so specified on them, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payment, on or prior to the fifth DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 10 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be. The Principal Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be. The Agency Agreement sets out the manner in which such conversions are to be made.

(iv) Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Registered Note (if required to do so) or if a check mailed in accordance with Condition 7(b)(ii) arrives after the due date for payment.

(v) **Payment Not Made in Full**

If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

(c) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents:* The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Exchange Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuer reserves the right at any time, with the prior approval of the Trustee (which shall not be unreasonably withheld), to vary or terminate the appointment of any Agent, to appoint another Registrar, Exchange Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Notes, (ii) a London Paying Agent, (iii) a Paying Agent, a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Notes are listed is the Official List of the Luxembourg Stock Exchange (Euro MTF market), shall be that of such stock exchange, (v) a Calculation Agent and (vi) an Exchange Agent. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(a)(ii). Notice of any such change or any change in the specified office of any Agent will be given to the Noteholders in accordance with Condition 17 as soon as reasonably practicable.

(e) *Unmatured Coupons and Unexchanged Talons:*

- (i) Bearer Notes the interest basis for which is specified on such Notes as being Fixed Rate, other than Notes which are specified to be Long Maturity Notes (being Notes whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered for payment of principal together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.
- (ii) If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Floating Rate at any time or which is a Long Maturity Note, is presented for redemption without all unexpired Coupons relating to it, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption of

such Bearer Note shall be made only against the provisions of such indemnity by the Noteholder as the Issuer may require.

(f) *Talons*: Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Interest Payment Date or, as the case may be, the Specified Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the London Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

8. Taxation

All payments of interest by or on behalf of the Issuer in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within Brazil or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its head office, by or within Brazil and the Cayman Islands or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its Cayman Islands Branch, or by or within Brazil and Luxembourg or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its Luxembourg Branch, or any other jurisdiction from or through which payments under the Notes are made, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) in the case of Bearer Notes or Coupons:
 - (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Bearer Note or Coupon by reason of it having some connection with Brazil or such other jurisdiction to which the Issuer may be subject other than the mere holding of such Bearer Note or Coupon, the receipt of the relevant payment in respect thereof or the enforcement of rights with respect to the Notes; or
 - (b) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting or surrendering the same for payment on the last day of such period of 30 days; or
 - (c) in respect of any taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto.
- (ii) in the case of Registered Notes:
 - (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Registered Note by reason of it having some connection with Brazil or such other jurisdiction to which the Issuer may be subject, other than the mere holding of such Registered Note, the receipt of the relevant payment in respect thereof or the enforcement of rights with respect to the Notes; or
 - (b) if the Definitive Registered Note in respect of such Registered Note is required to be surrendered and such Definitive Registered Note is surrendered more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to receive additional amounts on presenting the same for payment on the last day of such period of 30 days; or

- (c) in respect of any taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto.

As used in these Conditions, “Relevant Date” in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 17 that such moneys have been so received and are available for payment. References in these Conditions to “principal” shall be deemed to include “Amortized Face Amount,” “Final Redemption Amount,” “Optional Redemption Amount” and “Early Redemption Amount” and any premium payable in respect of the Notes and any reference to “principal” and/or “interest” shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Events of Default

If any of the following events occurs the Trustee at its discretion may in respect of the Notes of any Series, and if so requested by holders of at least one third in nominal amount of the Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of Noteholders of such Series shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer that the Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified on such Notes or, if none is so specified, at the nominal amount specified on such Notes together with accrued interest (if any) to the date of redemption or, in relation to Zero Coupon Notes, the Amortized Face Amount of such Notes:

(a) *Non-payment:* Default is made for a period of three days in the payment of principal on any of the Notes or for a period of seven days in the payment of interest represented by the Notes or Coupons; or

(b) *Breach of other obligations:* The Issuer does not perform or comply with any one or more of its other obligations under the Notes of such Series or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after written notice specifying such default shall have been given to the Issuer by the Trustee. Such notice shall require the default to be remedied and shall state that such notice is a “Notice of Default”; or

(c) *Cross default:* (i) any other present or future Indebtedness of the Issuer or any Significant Subsidiary becomes (or is declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer by reason of the occurrence of an event of default described in a document evidencing such Indebtedness and after the expiration of any applicable grace period, or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any Significant Subsidiary fails to pay when due any amount payable by it under any present or future Guarantee in respect of its Indebtedness, provided that in each case mentioned above in this Condition 9(c), the aggregate amount of the relevant Indebtedness and Guarantees in respect of Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9 operates); or

(d) *Enforcement proceedings:* A distress, attachment (other than a Penhora), execution or other legal process is levied, enforced or sued out on or against all or a material part of the property of the Issuer (taken as a whole with its Significant Subsidiaries) and is not discharged or stayed within 30 days after notice thereof has been received by the Issuer; or

(e) *Security enforced:* Any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Significant Subsidiary and securing an amount which equals or exceeds US\$50,000,000 or its equivalent (as determined in the manner provided in Condition 9(c)) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such step is not discharged or stayed within 30 days after notice thereof has been received by the Issuer; or

(f) *Insolvency*: The Issuer or any Significant Subsidiary is declared insolvent or bankrupt or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts; or

(g) *Moratorium*: The Issuer or any Significant Subsidiary makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), makes a general assignment or an arrangement or composition with or for the benefit of creditors in respect of its debts generally or a moratorium is agreed to or declared by the Issuer or any Significant Subsidiary in respect of or affecting all or any part of (or of a particular type of) its debts; or

(h) *Winding up*: An order is made or an effective resolution passed for the intervention in, liquidation, winding up or dissolution of the Issuer or any Significant Subsidiary, or the Issuer or any Significant Subsidiary ceases to carry on all or (in the opinion of the Trustee) substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger, consolidation or spin-off on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or where the surviving entity is the Issuer or a Significant Subsidiary; or

(i) *Analogous events*: Any event occurs which under the laws of the jurisdictions of the Issuer or any Significant Subsidiary has an analogous effect to any of the events referred to in Conditions 9(d) to (h),

provided that, in the case of paragraphs (b) and (d) to (h), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

For the purpose of these Conditions:

“Fund” means any investment vehicle, hedge fund, mutual fund, fund of funds, private equity fund, other alternative investment fund or similar person, but which excludes, in each case, any Portfolio Company.

“Managed Funds” means any Fund, sponsored, advised or subadvised by the Bank, its respective Subsidiaries and/or for which any of them act as a general partner, investment manager, investment adviser, managing member, gestor or in a similar management advisory capacity, other than any such Fund of which the Bank, or any of its respective Subsidiaries owns, directly or indirectly, a majority of the economic interests of such Fund.

“Portfolio Companies” means, with respect to any Managed Fund, the entities in which such Managed Fund has acquired, directly or indirectly, equity securities or any other securities (including debt securities).

“Subsidiary” of any company or corporation means, at any particular time, any company or corporation:

- (i) more than 50% of the issued share equity capital of which, or more than 50% of the issued share capital carrying voting rights of which, is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or
- (ii) which is a Subsidiary of another Subsidiary of the first-mentioned company or corporation,

(in each case) provided, however, that for the purposes of these Conditions, neither (i) any Managed Fund, nor (ii) any company or corporation which does not conduct financial services, investment services or banking business as its principal business, nor (iii) any company or corporation which the Trustee and the Issuer have agreed to exclude from this definition shall be deemed to be a Subsidiary of the Issuer or any of its Subsidiaries.

“Significant Subsidiary” means any Subsidiary of the Issuer the total assets of which exceeded 10% of the consolidated total assets of the Issuer and its consolidated subsidiaries as of the end of the most recent fiscal year.

10. **Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. **Meetings of Noteholders, Modification, Waiver and Substitution**

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified and/or secured to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 10% in nominal amount of the Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the nominal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount or Early Redemption Amount (if any) of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified on the Notes of any Series a Minimum Rate of Interest and/or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest and/or such Maximum Rate of Interest, (v) to change the method of calculating the Amortized Face Amount (if any) of any Series, (vi) to change the currency or currencies of payment of the Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes of the relevant Series for the time being outstanding. An “Extraordinary Resolution” is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of holders of not less than 75% in nominal amount of the Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any).

(b) *Modification, Waiver and Determination:* The Trustee and the Issuer may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of any of the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) agree to any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders or Couponholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, *provided* that any such modification referred to in (ii) above or any waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorization or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 17 as soon as practicable.

(c) *Substitution:* The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or Couponholders, to the substitution of the Issuer’s successor in business or any Subsidiary of the Issuer or its successor in business in place of the Issuer or any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or Couponholders, subject to the provisions of the Trust Deed, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, or the Noteholders or Couponholders in respect of Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes of any Series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-third in nominal amount of the Notes of such Series outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. Under the Trust Deed, the Trustee is entitled to be paid its costs and expenses in priority to the claims of the Noteholders and Couponholders.

14. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the London Paying Agent (in the case of Bearer Notes, Coupons and Talons) or a Transfer Agent (in the case of Registered Notes) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Registered Notes must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series), provided, however, that unless such further securities are issued under a separate CUSIP number or ISIN, such further securities will be fungible with the original securities for U.S. federal income tax purposes. References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Notes of any Series) constituted under the Trust Deed or any deed supplemental to it shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other series (including the Notes of any other Series) where the Trustee so decides.

16. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer (and, in the circumstances referred in the Agency Agreement, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

17. **Notices**

Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register and shall be published (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market) on the website of the Luxembourg Stock Exchange designated for such purposes. Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe, and (so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market) in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at www.bourse.lu. It is expected that such publication will be made in the Financial Times in London. Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication as provided above and will, if published more than once on different dates, be deemed to have been given on the date of the last publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 17.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law and Jurisdiction**

(a) *Governing Law:* The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

FORM OF THE FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated *[date]*

Banco BTG Pactual S.A.

(company incorporated under the laws of the Federative Republic of Brazil)

(acting through [its principal office in Brazil] [its Cayman Islands Branch] [its Luxembourg Branch])

US\$[]

Global Medium-Term Note Programme

Series No:

[TITLE OF NOTES] DUE

Issue price:

[DEALER NAME(S)]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Memorandum dated *[date]* [and the supplemental Offering Memorandum dated *[date]*]. These Final Terms must be read in conjunction with such Offering Memorandum [as so supplemented]. The Offering Memorandum [and the supplemental Offering Memorandum dated *[date]*] [is][are] available for viewing at the registered office of the Issuer.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under Offering Memorandum with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Memorandum dated *[original date]*. These Final Terms contains the final terms of the Notes and must be read in conjunction with the Offering Memorandum dated *[current date]* [and the supplemental Offering Memorandum dated *[date]*], save in respect of the Conditions which are extracted from the Offering Memorandum dated *[original date]* and are attached hereto.]

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED] WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)). EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO PERSONS WHO ARE BOTH “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A (“QIBS”)), AND “QUALIFIED PURCHASERS” (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT (“QPS”))] [AND FOR LISTING OF THE NOTES ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE (FOR TRADING ON THE EURO MTF MARKET)]. [PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND THE EXEMPTION FROM THE PROVISIONS OF THE INVESTMENT COMPANY ACT PROVIDED BY SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE

NOTES AND DISTRIBUTION OF THESE FINAL TERMS AND THE REMAINDER OF THE OFFERING MEMORANDUM, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” CONTAINED IN THE OFFERING MEMORANDUM.

[THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE FINAL TERMS OR THE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.]

[TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.]

1. Issuer:..... Banco BTG Pactual S.A. [, acting through its principal office in Brazil] [, acting through its Cayman Islands Branch][, acting through its Luxembourg Branch]
2. [(i)] Series Number: []
[(ii)] Tranche Number:..... []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. (i) Specified Currency or Currencies []
(Condition 1(d)):
- (ii) Specified Principal Payment Currency []
if different from Specified Currency
(Condition 1(d)):
- (iii) Specified Interest Payment Currency []
if different from Specified Currency
(Condition 1(d)):
4. Aggregate Nominal Amount:.....
- (i) Series:..... []
- (ii) Tranche:..... []

5. [(i)] Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
- [(ii)] Net proceeds: [] (*Required only for listed issues*)
6. Specified Denominations (Condition 1(b)): []*
7. (i) Issue Date (Condition 5(III)): []
- (ii) Interest Commencement Date: []
8. Maturity Date (Condition 6(a)): [*Specify date or (for Floating Rate Notes) Specified Interest Payment Date falling in or nearest to the redemption month*]
9. Interest Basis (Condition 5): [Fixed Rate (Condition 5(I))]
[Floating Rate (Condition 5(II))]
[Zero Coupon (Condition 5(IV))]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis
(Condition 6(a)): [Redemption at par]
[Index Linked Redemption (*specify*)]
[Dual Currency (*specify*)]
[Partly Paid (*specify*)]
[Installment (*specify*)]
[Other (*specify*)]
11. Change of Interest or Redemption/ Payment Basis: [Not Applicable] [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options (Condition 6(e) and (f)): [Noteholder Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes (Condition 3): [Senior] [*Specify status if different from Condition 3*]
14. Listing: [Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market/Other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

(1) * Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

16. Fixed Rate Note Provisions [Applicable/Not Applicable]
(Condition 5(I)): *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [] % per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year *[adjusted in accordance with [specify Business Day Convention and any applicable Business Center(s) for the definition of "Relevant Business Day"]/not adjusted]*
- (iii) Fixed Coupon Amount(s): [] per lowest Specified Denomination
- (iv) Broken Amount(s): [Not Applicable] *[Insert particulars of any initial or final broken interest amounts]*
- (v) Day Count Fraction (Condition 5(III)): []
(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars, unless otherwise requested)
- (vi) Determination Date(s) (Condition 5(III)): [Same as the Interest Payment Date] [] in each year]
[insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon only to be completed for an issue where day count fraction is Actual/Actual-ISMA]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. Floating Rate Note Provisions (Condition 5(II)):..... [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention (Condition 5(III)):.. [Floating Rate Business Day Convention/
Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/Other (give details)]
- (iii) Business Center(s) (Condition 5(III)): []
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): []
- (vi) Screen Rate Determination (Condition 5(II)(b)(i)): [Applicable/Not Applicable]
- Interest Determination Date(s) (Condition 5(III)): []

- Primary Source for Floating Rate: [Specify relevant screen page or “Reference Banks”]
- Reference Banks (if Primary Source is “Reference Banks”): [Specify four]
- Relevant Banking Center: [Specify]
- Benchmark and Reference Rate(s): [LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark and whether bid, offer or mean]
- (vii) ISDA Determination (Condition 5(II)(b)(iv)): [Applicable/Not Applicable]
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- ISDA Definitions (if different from those set out in the Conditions): []
- (viii) Margin(s): [+/–] [] % per annum
- (ix) Minimum Rate of Interest: [] % per annum
- (x) Maximum Rate of Interest: [] % per annum
- (xi) Day Count Fraction (Condition 5(III)): []
- (xii) Rate Multiplier: []
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions (Condition 5(II)(b)): []
- (xiv) Relevant Financial Center: []
- 18. Zero Coupon Note Provisions (Conditions 5(IV) and 6(d)): [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortization Yield: [] % per annum
- (ii) Reference Price: []
- (iii) Basis: [Straightline/Compounded at [specify] interval]
- (iv) Day Count Fraction (Condition 5(III)): []
- (v) Any other formula/basis of determining amount payable: []

19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph - if applicable, complete terms MUST be set out in these Final Terms)
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Interest Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Business Day Convention/
Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/other (give details)]
- (vi) Business Center(s)
(Condition 5(III)): []
- (vii) Minimum Rate of Interest: []% per annum
- (viii) Maximum Rate of Interest: []% per annum
- (ix) Day Count Fraction
(Condition 5(III)): []
20. Dual Currency Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph - if applicable, complete terms MUST be set out in these Final Terms)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: ... []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []
- (v) Day Count Fraction
(Condition 5(III)): []

PROVISIONS RELATING TO REDEMPTION

21. Call Option (Condition 6(e)): [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amounts(s) of each Note and method, if any, of calculation of such amount(s): [[] per Note of [] Specified Denomination] [Provide description of calculation and methodology]
- (iii) If redeemable in part: [Applicable/Not Applicable]
- (a) Minimum nominal amount to be redeemed: []
- (b) Maximum nominal amount to be redeemed: []
- (iv) Notice period* [Applicable/Not Applicable]
22. Put Option (Condition 6(f)): [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) Description of any other Noteholders' option: []
- (iv) Deposit period (if other than as set out in the Conditions): []
- (v) Notice period: [As specified in Condition 6(e)] [Specify other notice period]*
23. Final Redemption Amount of each Note: [[] per Note of [] Specified Denomination/Other/See Appendix]
- (i) Alternative Payment Mechanism (Condition 7(a) and (b)): [Not applicable as Condition 7(b)(ii) applies]
[Condition 7(b)(iii)] [Provide details of Alternative Payment Mechanism]
- (ii) Long Maturity Note (Condition 7(e)): [Applicable/Not Applicable]

(2) * If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems and custodians, as well as any other notice requirements which may apply, for example as between the issuer and the principal paying agent, or trustee.

24. Early Redemption Amount:
- (i) Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on an Event of Default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions):. []
- (ii) Original Withholding Level (Condition 6(c)): []
- (iii) Unmatured Coupons to become void (Condition 7(e)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes/Registered Notes] [delete as appropriate]
- Bearer Notes*
- (i) Temporary or Permanent Global Note: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
[Permanent Global Note exchangeable for definitive Bearer Notes in the limited circumstances specified in the Permanent Global Note]
- (ii) Exchange Date in respect of Temporary Global Note:..... [Not Applicable/*specify date*]
- (iii) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable]
- Registered Notes*
- (i) DTC Global Notes, European Global Notes or individual Definitive Registered Notes:..... [DTC Restricted Global Note and/or DTC Unrestricted Global Note/European Unrestricted Global Note available on Issue Date] [European Restricted Global Note and/or European Unrestricted Global Note available on Issue Date]
[Individual Definitive Registered Notes available on Issue Date]
26. Financial Center(s) (Condition 7(a)(iii)) or other special provisions relating to payment dates:.. [Not Applicable /*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iii) and 19(vi) relates*]
27. Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which [Not Applicable] [Yes/No. *If yes, give details*]

(3) * Include items (i), (ii) and (iii) if Notes are Bearer Notes and delete item (i) relating to Registered Notes.

(4) * Include item (i) if Notes are Registered Notes and delete (i), (ii) and (iii) if Notes relating to Bearer Notes.

- such Talons mature):
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable /give details]
(If applicable, complete terms *MUST* be set out in these Final Terms)
29. Details relating to Installment Notes: [Not Applicable /give details]
(If applicable, complete terms *MUST* be set out in these Final Terms)
30. Redenomination, renominialization and reconventioning provisions: [Not Applicable /The provisions annexed to these Final Terms apply]
31. Consolidation provisions (Condition 15):..... [Not Applicable /The provisions annexed to these Final Terms apply / provide additional details]
32. Other terms or special conditions: [Not Applicable /Applicable /give details]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable /give details]
(ii) Stabilizing Manager (if any): [Not Applicable /give details]
(iii) Commissions and Concessions: []
34. If non-syndicated, name of Dealer:..... [Not Applicable /give details]
35. Additional selling restrictions: [Not Applicable /give details]

OPERATIONAL INFORMATION

36. (i) ISIN:..... []
(ii) CUSIP: []
(iii) CINS:..... [Not Applicable /Applicable]
(iv) Other:..... [Euro MTF market of the Luxembourg Stock Exchange Securities Number: [To be provided]]
37. Common Code: []
38. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
39. Delivery: Delivery [against/free of] payment
40. Principal Paying Agent: [Deutsche Bank AG, London Branch/give details]
41. Discharge and indemnity provision: [Applicable / Not Applicable] (If applicable, provide details)
42. Additional Agent(s) (if any): []

[EXPECTED RATING]

The Notes are expected to be rated “[]” by [Moody’s Investors Services, Inc.] and “[]” by [Fitch Ratings Ltd.] A Note rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

[Rating Agency disclosures: include relevant text]

[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such *[insert the legal name of the relevant credit rating agency entity]* is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (as amended). *[Insert the legal name of the relevant non-EU credit rating agency entity]* is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit rating agency] is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). However, *[insert the legal name of the relevant EU CRA affiliate]*, which is established in the European Union and registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], has disclosed the intention to endorse credit ratings of *[insert the legal name of the relevant non-EU credit rating agency entity]*.]

[Insert legal name of relevant credit rating agency entity] is not established in the European Union, but it is certified in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[LISTING APPLICATION]

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the US\$[] Global Medium Term Note Programme of Banco BTG Pactual S.A.]

[STABILIZATION]

In connection with the offering of the Notes, [enter name of stabilizing manager(s) (the “Stabilizing Manager(s)”) (or persons acting on behalf of any Stabilizing Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of the allotment of the Notes, whichever is earlier. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules and will be undertaken at the offices of the Stabilizing Manager(s) (or persons acting on their behalf) and on the over-the-counter market.]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Offering Memorandum referred to above, contain all information that is material in the context of the Notes.

[MATERIAL ADVERSE CHANGE STATEMENT]

Save as disclosed in the Offering Memorandum and in these final terms, there has been no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since [insert date of

last audited accounts or interim accounts (if later)] and no material adverse change in the prospects of the Issuer since [insert date of last published audited accounts].]

GOVERNING LAW AND JURISDICTION

The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law. The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Talons or the Trust Deed (“Proceedings”) may be brought in such courts.

Signed on behalf of the Issuer:

By: _____
Duly authorized signatory

By: _____
Duly authorized signatory

ISSUER

Acting Through its Principal Office in Brazil

Banco BTG Pactual S.A.

Praia de Botafogo, 501, 5^o e 6^o andares
Rio de Janeiro, RJ-22250-040
Brazil

Acting Through its Cayman Islands Branch

Banco BTG Pactual S.A.

PO Box 1353
Harbour Place, 5th Floor
103 South Church Street
Grand Cayman KY1-1108
Cayman Islands

Acting Through its Luxembourg Branch

Banco BTG Pactual S.A.

15, rue Bender
L-1229 Luxembourg, Grand Duchy of Luxembourg

TRUSTEE

Deutsche Trustee Company Limited

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**PRINCIPAL PAYING AGENT, LONDON PAYING AGENT, TRANSFER AGENT AND
CALCULATION AGENT**

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**PAYING AGENT, U.S. REGISTRAR AND
TRANSFER AGENT**

Deutsche Bank Trust Company Americas

60 Wall Street, 16th Floor
New York, NY 10005 USA

with copies to:

Deutsche Bank Trust Company Americas

c/o Deutsche Bank National Trust Company
100 Plaza One, 6th Floor, MS 0699
Jersey City, NJ 07311-3901 USA

**PAYING AGENT, EUROPEAN REGISTRAR
AND**

TRANSFER AGENT

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

FORM OF THE NOTES; BOOK ENTRY AND TRANSFER

Bearer Notes

Bearer Notes of each Tranche of a Series will initially be represented by a Temporary Global Note or by a Permanent Global Note (together, a “Global Note”), each without coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on the relevant Issue Date. Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Permanent Global Note representing Bearer Notes of the relevant Tranche, not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Permanent Global Note and any Definitive Note, Talon and Coupon will bear the following legend:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”

The sections of the U.S. Internal Revenue Code referred to in the legend provides that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realized on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Summary of Provisions Relating to Bearer Notes while in Global Form

Each Permanent Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

(a) *Exchange:* A Temporary Global Note is exchangeable in whole or in part for interests in the Permanent Global Note representing Bearer Notes not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. A Permanent Global Note is exchangeable in whole but not in part (free of charge to the holder) for Definitive Notes if the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by such holder giving notice to the London Issuing and Paying Agent. If so specified in the relevant Final Terms, a Temporary Global Note or a Permanent Global Note is exchangeable in whole or in part for Registered Notes in accordance with its terms.

On or after any Exchange Date (as defined below), the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the London Issuing and Paying Agent. In exchange for the Permanent Global Note, the relevant Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes (having attached to them all coupons and talons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed and/or (if so specified in the relevant Final Terms) Registered Notes. On exchange of the Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder.

“Exchange Date” means a day falling not less than 40 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located.

(b) *Payments:* No payments will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Bearer Notes represented by the Permanent Global Note will be made against presentation for

endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Bearer Notes.

(c) *Notices:* So long as the Bearer Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper having general circulation in London or, if any such publication is not practicable, in another leading daily English language newspaper having general circulation in Europe. It is expected that such publication will be made in the *Financial Times* in London. In addition, notices will be published in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange at www.bourse.lu (so long as the Notes are listed on Luxembourg Stock Exchange and traded on the Euro MTF market). Notices will, if published more than once in the same manner, be deemed to have been given on the date of the first publication and will, if published more than once in a different manner, be deemed to have been given on the date of the last publication.

(d) *Prescription:* Claims against the relevant Issuer in respect of principal and interest in respect of a Global Note will become prescribed unless such Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

(e) *Meetings:* The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged.

(f) *Purchase and cancellation:* Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the nominal amount of the relevant Global Note and evidenced by the appropriate notation in the relevant schedule to such Global Note.

(g) *Call option:* The Issuer's call option in Condition 6(e) (*Redemption at the option of the Issuer*) may be exercised by the relevant Issuer giving notice to the Noteholders in accordance with Condition 6(e) (*Redemption at the option of the Issuer*) and such notice shall be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes.

(h) *Put option:* The Noteholders' put option in Condition 6(f) (*Redemption at the option of Noteholders*) may be exercised by the holder of a Global Note giving notice to a Paying Agent of the nominal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 6(f) (*Redemption at the option of Noteholders*).

Registered Notes

Registered Notes of each Tranche of a Series which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by interests in either a European Unrestricted Global Note or a DTC Unrestricted Global Note, in each case without interest coupons and (i) in the case of a European Unrestricted Global Note, deposited with a common depositary for, and registered in the name of a nominee of a common depositary for, Clearstream, Luxembourg and Euroclear on its Issue Date; or (ii) in the case of a DTC Unrestricted Global Note, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date.

Registered Notes of such Tranche resold pursuant to Rule 144A ("Restricted Notes") will initially be represented by either a European Restricted Global Note or a DTC Restricted Global Note, in each case without interest coupons and (i) in the case of a European Restricted Global Note, deposited with a common depositary for, and registered in the name of a nominee of a common depositary for, Clearstream, Luxembourg and Euroclear on its Issue Date; or (ii) in the case of a DTC Restricted Global Note, deposited with a custodian for, and registered in the

name of a nominee of, DTC on its Issue Date. Any DTC Restricted Global Note will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under “Transfer Restrictions.”

U.S. Dollar Equivalent

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the relevant Issuer, either as of the date of agreement to issue such Notes (the “Agreement Date”) or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case on the basis of the Exchange Rate on the relevant date of calculation. As used herein, the “Exchange Rate” means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the relevant Issuer at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated, in relation to the Specified Currency, in the manner specified above and with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Notes and, in relation to the nominal amount, by reference to the amortization yield formula as specified in the Conditions applicable to such Notes as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the nominal amount of the Notes. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer from the relevant issue of Notes.

Book-Entry Ownership

Bearer Notes

The Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear. Each Temporary Global Note or Permanent Global Note will have an ISIN number and a Common Code. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

Registered Notes

References below to “Registrar” shall mean, in respect of any DTC Global Note, the U.S. Registrar and, in respect of any European Global Note, the European Registrar.

The Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a European Unrestricted Global Note or a European Restricted Global Note. Each such Global Note will have an ISIN number and a Common Code.

The Issuer and the Dealer or Dealer with respect to a Tranche of Notes will make application to DTC for acceptance in its book entry settlement system of the Notes represented by each DTC Restricted Global Note or DTC Unrestricted Global Note. Each DTC Restricted Global Note will have a CUSIP number and each DTC Unrestricted Global Note will have a CINS number. Each DTC Restricted Global Note and each European Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of each such Note, as set out under “Transfer Restrictions.” In certain circumstances, as described below in “Transfers of Registered Notes,” transfers of interests in a DTC Restricted Global Note or a European Restricted Global Note may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Restricted Global Note or DTC Unrestricted Global Note is deposited (the “Custodian”) and DTC will electronically record the nominal amount of the Notes held within the DTC system. In the case of Notes represented by a DTC Unrestricted Global Note, until the expiration of 40 days after the later of the commencement of the offering and the Issue Date of a Tranche of Notes, investors in Notes of such Series may

hold their interests in a DTC Unrestricted Global Note only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organizations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Deutsche Bank AG, London Branch will initially act as depositary for Euroclear and Deutsche Bank AG, London Branch will initially act as depositary for Clearstream, Luxembourg. Investors may hold their interests in a DTC Restricted Global Note directly through DTC if they are participants in the DTC system, or indirectly through organizations which are participants in such system. Investors in Notes represented by a European Restricted Global Note or a European Unrestricted Global Note may hold their interests in such Note only through Clearstream, Luxembourg or Euroclear.

Payments of the principal of, and interest on, each DTC Restricted Global Note or DTC Unrestricted Global Note registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such DTC Restricted Global Note or DTC Unrestricted Global Note. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Global Notes held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any DTC Restricted Global Note or DTC Unrestricted Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of: (i) a DTC Restricted Global Note and either a DTC Unrestricted Global Note or a European Unrestricted Global Note; or (ii) a European Restricted Global Note and/or a European Unrestricted Global Note. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms and, in the case of Restricted Notes, in amounts of US\$200,000 (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of US\$1,000, in certain limited circumstances described below.

Individual Definitive Registered Notes

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless: (i) in the case of DTC Restricted Global Notes and DTC Unrestricted Global Notes, DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depositary with respect to the DTC Restricted Global Note and DTC Unrestricted Global Notes, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; (ii) in the case of European Unrestricted Global Notes and European Restricted Global Notes, Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes. In such circumstances, the Issuer will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholder(s). A person having an interest in a Registered Global Note must provide the Registrar with:

- a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and

- in the case of a DTC Restricted Global Note or a European Restricted Global Note only, a fully completed and signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Registered Notes

Transfers of interests in Registered Global Notes within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system, in the case of DTC Restricted Global Notes and European Restricted Global Notes, those applicable to 144A/3(c)(7) securities. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Restricted Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Restricted Global Note or DTC Unrestricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of 40 days after the later of the commencement of the offering of a Series of Notes and the Issue Date therefor, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note *provided* that any such transfer made on or prior to the expiration of the distribution compliance period (as referred to in “Subscription and Sale—United States of America”) relating to the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB (as defined in Rule 144A) that is also a QP (as defined in Section 2(a)(51) of the Investment Company Act) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Thereafter, the Registrar will make the appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Beneficial interests in a European Unrestricted Global Note may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note or a European Unrestricted Global Note to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Note or the European Restricted Global Note (as the case may be) for the same Series of Notes *provided* that any such transfer made on or prior to the expiration of the distribution compliance period (as referred to in “Subscription and Sale—United States of America”) relating to the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB (as defined in Rule 144A) that is also a QP (as defined in Section 2(a)(51) of the Investment Company Act) in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such DTC Unrestricted Global Note or European Unrestricted Global Note (as the case may be) will only be made upon request through (i) Clearstream, Luxembourg or Euroclear by the holder of an interest in the European Unrestricted Global Note or (ii) through DTC by the holder of an interest in the DTC Unrestricted Global Note, to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the DTC Restricted Global Note or details of the account at Euroclear or Clearstream, Luxembourg to be credited with the relevant interest in the European Restricted Global Note, as the case may be. Transfers at any time by a holder of any interest in the DTC Restricted Global Note or a European Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note or a European

Unrestricted Global Note will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at DTC, Euroclear or Clearstream, Luxembourg, as the case may be, to be credited and debited, respectively, with an interest in the relevant global Registered Notes.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions,” cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant global Registered Notes will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of: (i) three business days after the trade date for the disposal of the interest in the relevant global Registered Note resulting in such transfer; and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “Transfer Restrictions.”

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Restricted Global Notes and DTC Unrestricted Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Notes or DTC Unrestricted Global Notes are credited and only in respect of such portion of the aggregate nominal amount of the relevant DTC Restricted Global Note or DTC Unrestricted Global Note, as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Note or Unrestricted Global Note for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the global Registered Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear, or their respective

direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a DTC Restricted Global Note or DTC Unrestricted Global Note is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES OR COUPONS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

Prospective purchasers should consult their tax advisors as to the specific tax consequences of acquiring, holding and disposing of the Notes, in particular with regard to notes having special features such as Notes denominated in a foreign currency as to the holder and Notes subject to currency constraint, sovereign event or credit event provisions.

Prospective purchasers should note that, as to the discussion below, other income tax rates or treatment may be provided for in any applicable tax treaty between Brazil and the country where the relevant holder is domiciled. Prospective purchasers should also note that there is no tax treaty between Brazil and the United States.

This summary does not address any tax issues that may affect solely the Issuers, such as the deductibility of expenses.

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the Notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Interest Payments Under the Notes

Considering that the Notes may be issued by our Cayman Islands Branch or our Luxembourg Branch, and based on the position that, as a general rule, the Cayman Islands Branch and the Luxembourg Branch are considered to be domiciled outside of Brazil for tax purposes, payments of income made to a non-resident holder by the Issuer with respect to notes issued through our Cayman Islands Branch or Luxembourg Branch will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with resources held by such entities outside of Brazil. If either of the Cayman Islands Branch or the Luxembourg Branch is not successfully qualified as a non-resident of Brazil and the above position does not prevail in the event of a tax dispute, the amounts remitted abroad could be subject to Brazilian withholding income tax at a rate of up to 25%, plus interest and fines, as further explained below.

If the Notes are issued by our principal office in Brazil and the interest payments made under the Notes are also made by our principal office in Brazil, with funds held in Brazil, such interest payments could be subject to income tax in Brazil at a rate of up to 25%, based on the reasoning explained below.

Interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the issuance of the Notes by our principal office in Brazil, is subject to withholding income tax. The rate of withholding income tax is generally 15%, as provided for in Section 10 of the Normative Act No. 1,455, of March 6, 2014 (the “Normative Act No. 1,455/2014”). According to the Normative Act No. 1,455/2014, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling

No. 1,530 dated December 19, 2014 are met) or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents, a “tax haven jurisdiction”), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are still subject to withholding income tax in respect of Brazilian income tax at the general rate of 15%. However, it is important to mention that pursuant to Section 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of credit instruments such as the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25%. Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25% in the event that the beneficiary is domiciled in a tax haven jurisdiction. A lower income tax rate may be applicable by a tax treaty between Brazil and the other country where the recipient of the payment has its domicile.

Law No. 11,727 changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met); (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% (or 17% provided that the requirements set forth in Normative Ruling No. 1,530 dated December 19, 2014 are met) or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions and despite the legal grounds to sustain that the changes discussed in this paragraph should apply exclusively for transfer pricing purposes and thin capitalization rules, there is a risk that a privileged tax regime will be treated similarly to a tax haven jurisdiction, and therefore the concept could be extended to the burdensome income tax rates described above.

On June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 listing (i) the countries and jurisdictions considered as tax haven jurisdictions for purposes of Brazilian law and (ii) the privileged tax regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the abovementioned concept of “privileged tax regime” should apply only for the purposes of Brazilian transfer pricing and thin capitalization rules, it is unclear whether such concept would also apply to payments related to the Notes to non-residents for purposes of this law. There is no judicial guidance as to the application of Law 11,727 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the “privileged tax regime” concept shall be applicable to deem a non-resident Holder as a tax haven resident when carrying out investments in the applicable Notes. In the event that the “privileged tax regime” concept is interpreted to be applicable to transactions such as payments related to the Notes to non-residents, this tax law would accordingly result in the imposition of taxation to a non-resident Holder that meets the privileged tax regime requirements in the same way applicable to a tax haven resident.

Payments Under the Notes to be Made by the Issuer on Behalf of the Cayman Islands Branch or the Luxembourg Branch with Funds Located in Brazil

In the event the Cayman Islands Branch or the Luxembourg Branch fails to punctually pay any due amount, comprising payment of principal, interest and all other amounts that may be due and payable in respect of the Notes, our Brazilian principal office will be required to assume the guarantee obligation to pay such due amount to the holder. In spite of the lack of a clear regulation regarding the remittance of funds from Brazil abroad in connection with the execution of this type of obligation, we take the position that this transaction should be viewed as a new credit transaction between our Brazilian principal office and the Cayman Islands Branch or the Luxembourg Branch, as applicable, which is not subject to withholding income taxation in Brazil. If the above position does not prevail in case of a tax dispute, the amounts that may be remitted by the Issuer abroad in the aforementioned circumstances could be subject to Brazilian withholding income tax at a rate of 15%, or 25% if the non-resident holder is domiciled in a tax haven jurisdiction.

In the event our Brazilian principal office is required to make any payment as a guarantor in connection with the Notes to the holder, our Brazilian principal office would be required to pay such additional amounts as may

be necessary to ensure that the net amounts receivable by the holder after withholding for taxes will equal the amounts that would have been payable in the absence of such withholding.

Gains

According to Section 26 of Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil at progressive rates (between 15% and 22.5%) or at a rate of 25%, depending on whether or not the beneficiary is resident of a tax haven jurisdiction under Brazilian law.

Based on the fact that the Notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of such Notes made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. However, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts.

If the Notes are deemed to be “assets located in Brazil” pursuant to Law 10,833, gains recognized by non-resident holders from the sale or other disposition of the Notes will be subject to income tax in Brazil. Assuming that the beneficiary is not located in a Low Tax Jurisdiction, the applicable rates would be: (i) 15% for the part of the gain that does not exceed R\$5.0 million, (ii) 17.5% for the part of the gain that exceeds R\$5.0 million but does not exceed R\$10.0 million, (iii) 20% for the part of the gain that exceeds R\$10.0 million but does not exceed R\$30.0 million and (iv) 22.5% for the part of the gain that exceeds R\$30.0 million. If the beneficiary is domiciled in a Low Tax Jurisdiction, then the withholding tax would be levied at a rate of 25%. Other income tax rates may apply in case of a tax treaty between Brazil and the country of residence of the beneficiary.

Although we believe that gains realized by a non-resident holder on the repayment or redemption of the Notes as a result of a fluctuation in currency exchange rates do not constitute taxable income in Brazil, Brazilian tax laws are not entirely clear on the matter. If this position does not prevail, any such gains may be subject to Brazilian withholding tax at progressive rates (between 15% and 22.5%) or at a rate of 25%, as discussed above. In this case, the Issuer would be required to pay such additional amounts as may be necessary to ensure that the net amounts to be received by a non-resident holder after withholding for the applicable taxes will equal the amounts that would have been payable in the absence of such withholding.

Other Tax considerations

IOF/Câmbio may apply if payments are made from Brazil. Pursuant to Decree No. 6,306, of December 14, 2007, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the IOF/Câmbio. Currently, the IOF/Câmbio rate is 0.38% for most transfers of foreign currency into *reais*. According to Section 15-B of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/Câmbio at a zero percent rate. However, according to section 15-B, XII of this decree, the IOF/ Câmbio rate is 6% for the conversion of foreign currency into Brazilian currency in connection with foreign loans with a minimum average term equal to or lower than 180 days (foreign loans or notes with an average term of more than 180 days which are partially or fully redeemed in a period of less than 180 days from their issuance are subject to the IOF/Câmbio rate of 6% plus applicable fines and interest). If, however, the tax regulations in effect at the time of early termination of the loan provides for a minimum average term with a 0% IOF/ Câmbio rate, lower than the one set forth in the regulations when the loan was originally entered into, then as long as the new minimum maturity term is fulfilled, the 0% rate of the IOF/ Câmbio would still apply. In any case, foreign exchange transactions related to outflow of proceeds from Brazil in connection with foreign loans are subject to the IOF/ Câmbio rate of 0%. Note that the Brazilian Government may increase the current IOF/Câmbio rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil. Under Brazilian law, the transfer of a Note by gift made by a holder (whether or not a non-resident holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre*

Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos) imposed on the donee by the state in which such Brazilian resident resides.

EU Directive on Administrative Cooperation in the Field of Taxation

European Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by European Council Directive 2014/107/EU, European Council Directive 2015/2376/EU and European Council Directive 2016/881/EU) (commonly referred to as the “Directive on Administrative Cooperation” or the “DAC”) implements in the EU the Organisation for Economic Cooperation and Development’s (the “OECD”) July 2014 Common Reporting Standard (“CRS”) on the automatic exchange of financial account information. The DAC requires Member States to apply new measures on mandatory automatic exchange of information with effect from January 1, 2016. The CRS covers not only interest income, but also dividends and other types of capital income, and the annual balance of the accounts producing such items of income. The CRS has also been implemented outside of the EU: as of July 26, 2016, 101 jurisdictions had committed to exchanging information under the CRS, with undertaking to exchange information by 2017 and by 2018. The United States has not to date committed to exchanging information under the CRS.

Financial Transactions Tax (“FTT”)

On February 14, 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). On March 16, 2016, Estonia formally withdrew from enhanced cooperation on FTT leaving ten remaining participating Member States.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal (including whether or not it comes into effect as proposed or at all) remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Cayman Islands Tax Considerations

Payments in respect of the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of a Note and gains derived from the sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The holder of any Note (or the legal personal representative of such holder) whose Note is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note.

Luxembourg Tax Considerations

The following is a general description of certain Luxembourg tax considerations relating to the purchase, owning, disposal or redemption of the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their

own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based on laws, regulations, practice and decisions in effect in Luxembourg at the date of this offering circular, which may change in each case. Any changes could apply retroactively and could affect the continued validity of this summary. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax ("*impôt sur le revenu des collectivités*"), municipal business tax ("*impôt commercial communal*"), a solidarity surcharge ("*contribution au fonds pour l'emploi*"), as well as personal income tax ("*impôt sur le revenu*"). Investors may further be subject to net wealth tax ("*impôt sur la fortune*") as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

Except as provided for by the Luxembourg law of 23 December 2005 as amended (the "Law of 23 December 2005") introducing a domestic withholding tax on certain interest payments to Luxembourg resident individuals only, there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes.

In this section, the term "interest" will include accrued or capitalized interest at the sale, repayment or redemption of the Notes.

The term "paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to, or ascribes the payment of such interest to or for the immediate benefit of, the beneficial owner.

According to the Law of 23 December 2005, interest payments on the Notes paid by a Luxembourg paying agent will be subject to a withholding tax of 20% (the "20% withholding tax") if such payments are made to Luxembourg resident individuals. In the event that interest is paid to Luxembourg resident individuals for the immediate benefit of such individuals by a paying agent established in a Member State of the European Union (other than Luxembourg) or in a Member State of the European Economic Area, the beneficiary may opt for the application of a 20% flat taxation in accordance with the Law of 23 December 2005 (the "20% tax"). The 20% withholding tax and the 20% tax will operate as a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

Interest on the Notes paid by a Luxembourg paying agent to legal entities resident of Luxembourg will not be subject to any withholding tax.

Taxes on income and capital gains

Holders of Notes resident in Luxembourg are taxed for income on and possible gains derived from the Notes depending on whether they hold the Notes in the context of carrying on an enterprise or in the context of managing their private wealth. Resident corporate holders of Notes are deemed to hold the Notes in the context of carrying on an enterprise.

If the Notes are held in the context of carrying on an enterprise, any interest income, whether paid or accrued, and any capital gain or foreign exchange result, whether realized or accrued, derived from the Notes is subject to Luxembourg income taxes (income tax levied at progressive rates and municipal business tax for

Luxembourg resident individuals, and corporate income tax and municipal business tax for Luxembourg corporate holders). For Luxembourg resident individuals receiving the interest as income from their professional assets, the 20% withholding tax levied can be credited against their final tax liability.

If the Notes are held in the context of managing private wealth, interest income received, including, upon a redemption of the Notes, the portion of the redemption price corresponding to the accrued but unpaid interest is subject to income tax at progressive rates unless the 20% tax applies. Capital gains realized upon disposal of the Notes are taxable only if realized within six months from the acquisition of the Notes or such disposal precedes the acquisition of the Notes.

Non-resident holders of Notes are only subject to income taxes in Luxembourg in respect of the Notes if the Notes are attributable to a permanent establishment or a permanent representative in Luxembourg, through which the holder of the Notes carries on an enterprise. Any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realized or accrued, derived from the Notes is subject to Luxembourg income taxes (income tax levied at progressive rates and municipal business tax in the case of individuals and corporate income tax and municipal business tax in the case of companies).

Net wealth tax

Corporate holders of Notes resident in Luxembourg are subject to annual net wealth tax, levied at a rate of 0.5% (without prejudice of the annual fixed minimum net wealth tax), in respect of the Notes (or at a rate of 0.05% for the portion of the net wealth exceeding EUR 500 million). Non-resident corporate holders of the Notes are only subject to such net wealth tax in Luxembourg in respect of the Notes if the Notes are attributable to a permanent establishment or a permanent representative in Luxembourg, through which the holder carries on an enterprise. Individuals are not subject to Luxembourg net wealth tax.

Other Taxes and Duties

It is not compulsory that the Notes are filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes in accordance therewith. A registration duty may however apply (i) upon voluntary registration (*présentation à l'enregistrement*) of the Notes (and/or any documents in connection therewith) in Luxembourg, or (ii) if the registration of the Notes (and/or any documents in connection therewith) with the Registration and Estates Department (*Administration de l'enregistrement et des domaines*) in Luxembourg is required in case the Notes (and/or any documents in connection therewith) are (a) enclosed to a compulsorily registrable deed within a mandatory deadline (*acte obligatoirement enregistrable dans un délai de rigueur*) or (b) deposited with the official records of a notary (*déposé au rang des minutes d'un notaire*).

Gift and inheritance tax

Inheritance tax is levied in Luxembourg at progressive rates depending on the value of the assets inherited and the degree of relationship. No Luxembourg inheritance tax will be due in respect of the Notes unless the holder of the Notes resides in Luxembourg at the time of decease. No Luxembourg gift tax is due upon the donation of Notes provided that such donation is not registered in Luxembourg.

Value added tax

No Luxembourg value added tax is levied with respect to (i) any payment made in consideration of the issuance of the Notes, (ii) any payment of interest on the Notes, (iii) any repayment of principal or upon redemption of the Notes and (iv) any transfer of the Notes.

Residence

A holder of the Notes will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Note or the execution, performance, delivery and/or enforcement of that or any other Note.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (“FATCA”) was enacted into the United States of America (US) law in March 2010 as part of the Hiring Incentives to Restore Employment Act. FATCA aims at reducing tax evasion by US citizens and requires foreign financial institutions outside the US (“FFIs”) to spontaneously provide information about financial accounts held, directly or indirectly, by specified US persons to the US Internal Revenue Service on an annual basis. A 30% withholding tax is imposed on certain US sources of income of any FFI that fails to comply with this requirement (“FATCA Withholding”).

Luxembourg has entered into a so-called Model 1 Intergovernmental Agreement (“Luxembourg IGA”) with the US, and a memorandum of understanding in respect thereof, on March 28, 2014. The IGA was implemented in Luxembourg domestic law by the law of July 24, 2015 (the “Luxembourg FATCA Law”). Luxembourg FFIs which comply with the requirements of the IGA, will not be subject to FATCA Withholding.

Under the Luxembourg IGA, Luxembourg FFIs are required to perform certain necessary due diligence and monitoring of investors, and to report to the Luxembourg tax authorities on an annual basis information about financial accounts held by (a) specified US investors, (b) certain US controlled entity investors and (c) non-US financial institution investors that do not comply with FATCA. Under the Luxembourg IGA, such information will subsequently be remitted by the Luxembourg tax authorities to the US Internal Revenue Service.

It is the intention of the Issuer to procure that it is treated as complying with the requirements that FATCA and the Luxembourg FATCA Law impose upon it. However, no assurance can be provided that the Issuer will be able to comply with such requirements and, in the event that it is not able to do so, the Issuer could be exposed to fines which may reduce the amounts available to it to make payments to its investors. Investors will be required to provide information to the Issuer to comply with its reporting obligations under the Luxembourg FATCA Law. To ensure the Issuer’s compliance with the Luxembourg FATCA Law in accordance with the foregoing, the Issuer may:

- (i) request information or documentation, including self-certification forms, a global intermediary identification number, if applicable, or any other valid evidence of an investor’s FATCA registration with the US Internal Revenue Service or a corresponding exemption, in order to ascertain such investor’s FATCA status;
- (ii) report information concerning an investor and his account holding in the Issuer to the Luxembourg tax authorities if such account is deemed a US reportable account under the Luxembourg FATCA Law; and
- (iii) report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution.

Investors should contact their own tax advisers regarding the application of FATCA to their particular circumstances and their investment in the Notes.

Common Reporting Standard

The OECD has developed the Common Reporting Standard (“CRS”) which aims at implementing automatic exchange of financial account information among participating countries.

On December 9, 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU (“DAC 2”) was adopted in order to implement the CRS among the European Union Member States. The DAC 2 was implemented into Luxembourg law by the law of December 18, 2015 (“CRS Law”). The CRS Law requires Luxembourg financial institutions to identify financial account holders and to determine whether they are tax resident in a European Union Member State and/or a country with which Luxembourg has an exchange of information agreement. Luxembourg financial institutions will need to report financial account information of such account holders to the Luxembourg tax authorities which will remit such information to the competent foreign tax authorities of the other country.

It is the intention of the Issuer to procure that it is treated as complying with the requirements that the CRS Law places upon it. However, no assurance can be provided that the Issuer will be able to comply with the CRS Law

and, in the event that it is not able to do so, it could be exposed to fines which may reduce the amounts available to it to make payments to investors. Investors will be required to provide certain information to the Issuer to comply with the reporting obligations under the CRS Law. To ensure compliance with the CRS Law in accordance with the foregoing, it may:

- (i) request information or documentation, including self-certification forms, a tax identification number (if applicable), or any other relevant information in order to ascertain such investor's status; and
- (ii) report information concerning an investor and its account holding in the Issuer to the Luxembourg tax authorities if such Investor is a reportable accountholder under the CRS Law.

Investors should contact their own tax advisers regarding the application of the CRS Law to their particular circumstances and their investment in the Notes.

United States Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations, administrative pronouncements and published rulings of the Internal Revenue Service (the "IRS"), and court decisions, all as in existence as of the date hereof, and all of which are subject to different interpretations and may be repealed, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to some types of Notes as appropriate. This summary applies only to U.S. Holders (as defined below) that hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment purposes). This summary is intended for general information only and does not address all of the U.S. federal income tax consequences that may be relevant to U.S. Holders in light of their particular circumstances. In addition, it does not apply to holders subject to special rules, including a broker or dealer in securities or currencies, a trader in securities that elects to use a mark-to-market method of accounting for securities holdings, a tax-exempt organization, an insurance company, a bank, thrift or other financial institution, a mutual fund or a regulated investment company, a U.S. expatriate, a person liable for alternative minimum tax, a person that will own, or will have owned, directly, indirectly or constructively 10% or more (by vote or value) of the equity of the Issuer, a person that holds an interest in an entity that holds the Notes, a partnership or other pass-through entity for U.S. federal income tax purposes, a person that holds the Notes as part of a hedging, integration, conversion or constructive sale transaction or a straddle, or a person whose functional currency is not the U.S. dollar. This discussion does not purport to be a complete analysis of all of the potential U.S. federal income tax considerations that may be relevant to particular U.S. Holders in light of their particular circumstances. Furthermore, it does not address the 3.8% Medicare tax imposed on certain net investment income or any aspect of foreign, state, local, estate or gift taxation.

As used herein, the term "U.S. Holder" means a beneficial owner of the Notes who, for U.S. federal income tax purposes, is a citizen or individual resident of the United States, a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States or any state thereof or the District of Columbia, an estate the income of which is subject to U.S. federal income tax regardless of its source, or a trust (i) if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes. Individuals who are not U.S. citizens are urged to consult their own tax advisors regarding whether they are residents of the United States for U.S. federal income tax purposes.

If a partnership (or other entity or arrangement that is treated as a partnership for U.S. federal income tax purposes) holds the Notes, the U.S. federal income tax treatment of a partner, beneficiary, or other stakeholder will generally depend on the status of that person and the activities of the pass-through entity. A partner, beneficiary, or other stakeholder in a pass-through entity holding the Notes should consult its own tax advisor with regard to the U.S. federal income tax treatment of its investment in the Notes.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the treatment of any gains as ordinary gains (even if the Bearer Note is otherwise held as a capital asset) and the denial of deduction for any losses.

For purposes of this summary, a “Foreign Currency Note” means a Note on which all payments which a U.S. Holder is entitled to receive are denominated in, or determined by reference to, a single foreign currency. For this purpose, foreign currency means a currency or currency unit other than U.S. dollars. The following discussion only relates to the Notes the payment of which is denominated in, or determined by reference to, a single currency, whether that currency is a foreign currency or U.S. dollars. If a Note is issued in circumstances where interest payments on the Note are denominated in, or determined by reference to, one currency and the principal portion of the Note may be denominated in, or determined by reference to, another currency (“Dual Currency Notes”), the applicable Final Terms will discuss the material U.S. federal income tax consequences in respect of these features to holders. The following discussion only relates to Notes that are properly treated as debt for U.S. federal income tax purposes. If a Note is issued in circumstances where the Note is or may be properly treated as equity for U.S. federal income tax purposes, the applicable Final Terms will discuss the material U.S. federal income tax consequences to U.S. Holders.

The discussion herein is subject to, and should be read in conjunction with, any discussions contained in the Final Terms.

THE FOLLOWING DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES. THE TAX TREATMENT MAY VARY DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES.

Payments of Interest

General

Interest on the Notes other than interest on a “Discount Note” that is not “qualified stated interest” (each as defined below under “—Payments of Interest—Original Issue Discount”), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the particular holder’s method of accounting for U.S. federal income tax purposes. Interest paid or accrued on the Notes and original issue discount (“OID”), if any, accrued with respect to the Notes (as described below under “—Payments of Interest—Original Issue Discount”) will generally constitute foreign source income for foreign tax credit purposes. Prospective purchasers should consult their own tax advisors concerning the applicability of the foreign tax credit and source rules to income attributable to the Notes.

Foreign Currency Denominated Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time, and this U.S. dollar value will be such U.S. Holder’s tax basis in the foreign currency received. If the interest payment is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency exchange gain or loss in respect to the interest income. A U.S. Holder may have foreign currency exchange gain or loss (generally taxable as an ordinary gain or loss) if the interest payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes. For U.S. Holders that are cash basis U.S. Holders and are required to accrue OID on a Foreign Currency Note, rules similar to the rules described in the following paragraph will apply with respect to the OID.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with one of two methods.

Under the first method, the amount of income accrued (including OID, but reduced by amortizable bond premium to the extent applicable) will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, at the average rate for the partial period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued (including OID) on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the taxable year). If a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of accrued interest payments (including OID and a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize foreign currency exchange gain or loss (generally taxable as an ordinary gain or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt) in respect of the accrual period and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. If the payment is then converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize any additional foreign currency exchange gain or loss in respect to the payment. A U.S. Holder may have additional foreign currency exchange gain or loss if the payment is converted into U.S. dollars after the date of receipt. In general, foreign currency exchange gain or loss will be treated as U.S. source gain or loss for foreign tax credit purposes.

Effect of Foreign Withholding Taxes

As discussed under “Taxation—Brazilian Tax Considerations” and “Taxation—Luxembourg Tax Considerations” payments in respect of the Notes may be subject to foreign withholding taxes. As discussed under “Terms and Conditions of the Notes—Taxation,” under certain circumstances the Issuer may become liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no foreign withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of foreign taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the foreign taxing authorities, as applicable. In this case, the amount of income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for foreign income taxes properly withheld by the Issuer; provided that, if a U.S. Holder elects to deduct foreign taxes for any taxable year, such U.S. Holder must deduct, rather than credit, all foreign taxes for such taxable year. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets,” and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to income in that basket. Interest and OID will generally constitute foreign source income in the “passive income” basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of foreign income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these foreign income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the foreign taxes in the year those taxes are actually withheld by the Issuer. Prospective purchasers should consult their own tax advisors regarding the foreign tax credit implications and other tax consequences with respect to the payment of such withholding taxes.

Original Issue Discount

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterized as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a “Short-Term Note”), will be treated as issued with OID (a “Discount Note”) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity), and the amount of OID will be equal to such excess. An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an “installment obligation”) will be treated as a Discount Note if the excess of the Note’s stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): the product of (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part are sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of qualified stated interest. A payment of “qualified stated interest” is generally any one of a series of stated interest payments on a Note that are unconditionally payable (other than in debt instruments of the issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. If a Note provides for more than one fixed rate of stated interest, interest payable at the lowest stated rate generally is qualified stated interest, with any excess included in the stated redemption price at maturity for purposes of determining whether the Note was issued with OID. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If such an option were not in fact exercised, the Note would be treated, solely for purposes of calculating OID, as if it were redeemed and a new note were issued on the presumed exercise date for an amount equal to the Note’s “adjusted issue price” on that date. If such a deemed reissuance occurs when the remaining term of the Notes is one year or less, it is possible that the Note would thereafter be treated as a short-term debt instrument. See “—Payments of Interest—Short-Term Notes” below. A Note’s adjusted issue price is its issue price increased by the amount of previously includable OID and decreased by the amount of any prior payments on the note that do not constitute qualified stated interest.

A U.S. Holder of Discount Notes must generally include OID in gross income as ordinary interest income as it accrues over the term of the Discount Notes using the “constant-yield method” based on a compounding of interest without regard to its regular method of accounting for U.S. federal income tax purposes and in advance of the receipt of cash payments attributable to that income. Under the constant-yield method, the amount of OID will generally increase over the term of the Discount Notes.

U.S. Holders may make an election (a “constant-yield election”) to include in gross income all interest that accrues on any Notes as described below under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount.”

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being “acquisition premium”) and that does not make the election described below under “—Payments of Interest—Election to Treat All Interest as Original Issue Discount,” is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted

basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note (other than a contingent payment debt instrument) for an amount in excess of its principal amount, or in the case of a Discount Note, in excess of its stated redemption price at maturity will be considered to have purchased the Note at a premium and the OID rules will not apply to such U.S. Holder. Such U.S. Holder may elect to treat the excess as "amortizable bond premium," in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortizable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortize bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "—Payments of Interest—Election to Treat All Interest as Original Issue Discount" below.

Market Discount

A Note, other than a Short-Term Note or a contingent payment debt instrument, will generally be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount." For this purpose, the "revised issue price" of a Discount Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognized on the maturity, sale or other taxable disposition, of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent of the market discount accrued on the Note at that time, unless such market discount has been previously included in income pursuant to an election to include market discount in income as it accrues (a "market discount accrual election"), or pursuant to the constant-yield election described under "—Payments of Interest—Election to Treat All Interest as Original Issue Discount" below. If a U.S. Holder makes a market discount accrual election, that election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Because of the complexity and variety of special rules relating to the treatment of market discount and acquisition and bond premium, prospective purchasers should consult their own tax advisors concerning the tax consequences of purchasing the Notes at a discount or a premium from the Note's issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may make a constant-yield-election to include in gross income all interest that accrues on a Note using the constant-yield method described above under "—Payments of Interest—Original Issue Discount," with certain modifications. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable

bond premium (described above under “—Payments of Interest—Notes Purchased at a Premium”) or acquisition premium and may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Market Discount Note, that election will result in a deemed market discount accrual election (described above under “—Payments of Interest—Market Discount”) for the taxable year in which such U.S. Holder acquired the Note and all succeeding years. The electing U.S. Holder will be treated as having made the election to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. This election may not be revoked without the consent of the IRS.

If a U.S. Holder makes a constant-yield election with respect to a Short-Term Note and is an accrual basis U.S. Holder, then the U.S. Holder is required to accrue OID based on daily compounding.

U.S. Holders should consult their own tax advisors regarding the consequences of this election.

Variable Interest Rate Notes

A Note that provides for interest at a variable rate (a “Variable Interest Rate Note”) will be treated as a “variable rate debt instrument” under Treasury regulations governing accrual of OID if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount; (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

If a Variable Interest Rate Note qualifies as a “variable rate debt instrument,” then any stated interest on the Note which is unconditionally payable in cash or property (other than in debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. If a Variable Interest Rate Note does not qualify as a “variable rate debt instrument,” then the Variable Interest Rate Note will be treated as a contingent payment debt obligation.

In the event the Issuer issues a Variable Interest Rate Note, the applicable Final Terms will more fully describe the material U.S. federal income tax consequences thereof.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of these rules for Short-Term Notes) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, may make the constant-yield election described above under “—Payments of Interest—Election to Treat All Interest as Original Issue.” In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes to the extent the interest does not exceed the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note’s stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder’s purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Foreign Currency Notes

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “—Payments of Interest—Foreign Currency Denominated Interest.” Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognize U.S. source foreign currency exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the exchange rate on that date, and no part of this accrued market discount will be treated as foreign exchange gain or loss.

Amortizable bond premium and acquisition premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. U.S. Holders will realize foreign currency gain or loss with respect to amortized bond premium with respect to any period by treating that amortized bond premium in the same manner as a return of principal on the sale or other taxable disposition of a Foreign Currency Note (as discussed below under “—Sale, Exchange or Other Taxable Disposition of Notes—Foreign Currency Notes”). Any foreign currency gain or loss will be ordinary income or loss, as described under “—Sale, Exchange or Other Taxable Disposition of Notes—Foreign Currency Notes.” If the election is not made, any loss realized on the sale, exchange or retirement of a Foreign Currency Note will be capital loss to the extent of the bond premium.

Sale, Exchange or Other Taxable Disposition of Notes

General

A U.S. Holder’s tax basis in a Note will generally be its cost increased by the amount of any OID or market discount included in the U.S. Holder’s income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder’s income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale, retirement, exchange or other taxable disposition of a Note equal to the difference between the amount realized on the sale, retirement, exchange or other taxable disposition and the tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under “—Payments of Interest—Market Discount” or “—Payments of Interest—Short-Term Notes” or attributable to changes in exchange rates (as discussed below under “—Sale Exchange or Other Taxable Disposition of Notes—Foreign Currency Notes”), gain or loss recognized on the sale, retirement, exchange or other taxable disposition of a Note will be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder’s holding period in the Notes exceeds one year at the time of such sale, retirement, exchange or other taxable disposition. The deductibility of capital losses is subject to significant limitations.

Gain or loss realized by a U.S. Holder on the sale, retirement, exchange or other taxable disposition of a Note will generally be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilize foreign tax credits attributable to any non-U.S. withholding tax imposed on a sale or disposition. Prospective

purchasers should consult their own tax advisors as to the availability of and limitations on any foreign tax credit attributable to any such withholding tax.

Foreign Currency Notes

A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects) on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

The rules applicable to Notes that are denominated in a currency other than the U.S. dollar could require some or all of the gain or loss realized upon a sale or other taxable disposition of the Notes that is attributable to fluctuations in currency exchange rates ("foreign currency gain or loss") to be treated as ordinary income or loss. The rules applicable to Foreign Currency Notes are complex, and their application may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and U.S. Holders should consult their tax adviser regarding the U.S. federal income tax consequences of the ownership and disposition of Foreign Currency Notes.

Contingent Payments

A tranche of Notes issued under the Programme may provide for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies. In the event the Issuer issues such instruments, the applicable Final Terms will describe the material U.S. federal income tax consequences thereof.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new Notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new Notes (as determined for U.S. federal income tax purposes) and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Reportable Transactions

U.S. Treasury regulations that are intended to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the U.S. Treasury regulations, certain transactions are required to be reported to IRS, including, in certain circumstances, a disposition of Foreign Currency Notes or foreign currency received in respect of Foreign Currency Notes to the extent that such disposition results in a tax loss in excess of a threshold amount.

U.S. Holders should consult their own tax advisors to determine the tax reporting obligations, if any, with respect to an investment in Foreign Currency Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting and Information Reporting and Backup Withholding

Certain U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 are generally required to file an information statement along with their tax returns with respect to such assets. “Specified foreign financial assets” include securities issued by a non-U.S. issuer that are not held in accounts maintained by certain financial institutions. The understatement of income attributable to “specified foreign financial assets” in excess of US\$5,000 extends the statute of limitations with respect to the tax return to six years after the return was filed. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders are encouraged to consult with their tax advisors regarding the possible application of these rules, including the application of the rules to their particular circumstances.

In general, information reporting requirements will apply to payments made on the Notes, as well as on proceeds from the sale, exchange or other taxable disposition of the Notes paid within the United States (and in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients (such as corporations). In addition, backup withholding (currently imposed at a rate of 28%) may apply to such amounts if a U.S. Holder fails to furnish a correct Taxpayer Identification Number (“TIN”) on IRS Form W-9 (or substitute IRS Form W-9) or otherwise fails to comply with applicable requirements. Amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the U.S. Holder's U.S. federal income tax liability, provided that certain required information is furnished to the IRS in a timely manner.

If applicable, certain U.S. federal income tax consequences of the acquisition, ownership and disposition of each issuance of the Notes under this Offering Circular will be further described in the relevant Final Terms.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL INCOME OR OTHER TAX LAWS.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the acquisition of the Notes (including any interest in a Note) by employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, “plans” (as defined in Section 4975(e)(1) of the Code), that are subject to Section 4975 of the Code, non-U.S., governmental or church plans not subject to such provisions of ERISA or the Code, but which are subject to the provisions of any Similar Law, and entities or accounts whose underlying assets are deemed to include the assets of any such employee benefit plan or other plan (each, a “Plan”).

General Fiduciary Matters

ERISA imposes certain duties on Plans subject to Title I of ERISA and persons who are fiduciaries of such Plans, and ERISA and the Code prohibit certain transactions involving the assets of a Plan subject to Title I of ERISA or Section 4975 of the Code (each, an “ERISA Plan”) and certain persons (referred to as “parties in interest” or “disqualified persons”), unless a statutory or administrative exemption applies to the transaction. Under ERISA, any person who exercises any discretionary authority or control over the administration of a Plan subject to Title I of ERISA or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of such Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary of such Plan should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to the fiduciary’s duties to the Plan, including without limitation the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any applicable Similar Law. The fiduciary should consult with its counsel and other advisors, as it deems appropriate, regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that the acquisition and holding of the Notes will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or any Similar Law.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets of an ERISA Plan with persons or entities who are “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of Section 4975 of the Code, unless an exemption is available. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Dealers, the Trustee, the Registrar, the Agents or any of their respective affiliates. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer or certain of its affiliates is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor (the “DOL”) has issued prohibited transaction class exemptions, or “PTCEs,” that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation and as amended from time to time, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting transactions involving insurance company pooled separate accounts, PTCE 91-38 respecting transactions involving bank collective investment funds, PTCE 95-60 respecting transactions involving insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions with a person that is a party in interest or disqualified person solely by reason of providing services to an ERISA Plan (or solely by reason of a relationship to such a service provider), provided that neither the party in interest or disqualified person nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the ERISA Plan involved in the transaction and provided further that the ERISA Plan receives no less, nor pays no more, than adequate consideration in connection with the transaction. There can be no assurance that all

of the conditions of any such exemption will be satisfied in connection with an ERISA Plan's acquisition and holding of the Notes, or that the scope of relief provided by any such exemption will cover all acts that might be construed as prohibited transactions.

By its acquisition and holding of any Notes (including any interest in a Note), the acquiror thereof will be deemed to have represented and warranted that either: (i) it is not and for so long as it holds the Notes (or any interest therein) will not be (and is not acquiring the Notes or any interest therein directly or indirectly with the assets of a person who is or while the Notes or any interest therein are held will be) a Plan, or (ii) its acquisition and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law.

Each purchaser of the Notes (including any interest in a note) that is an ERISA Plan by acceptance of a note (including any interest in a note), will be deemed to have represented and warranted that a fiduciary acting on its behalf is causing it to purchase the Notes and that such fiduciary: (a) is a U.S. bank, a U.S. insurance carrier, a U.S. registered investment adviser, a U.S. registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control as specified in 29 CFR Section 2510.3-21(c)(1)(i) (excluding an IRA owner if the purchaser is an IRA); (b) is independent (for purposes of 29 CFR Section 2510.3-21(c)(1)) of the Issuer, each Dealer and their respective affiliates (the "Transaction Parties"); (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser's transactions with the Transaction Parties hereunder; (d) has been advised that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions with the Transaction Parties contemplated hereby; (e) is a "fiduciary" under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions with the Transaction Parties contemplated hereby; and (f) understands and acknowledges the existence and nature of the discounts, commissions and fees, and any other related fees, compensation arrangements or financial interests of the Transaction Parties in connection with the purchaser's transactions with the Transaction Parties contemplated hereby; and understands, acknowledges and agrees that no such fee or other compensation is a fee or other compensation for the provision of investment advice, and that none of the Transaction Parties, nor any of their respective directors, officers, members, partners, employees, principals or agents has received or will receive a fee or other compensation from the purchaser or such fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser's transactions with the Transaction Parties contemplated hereby.

Consultation with Counsel

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that a Plan fiduciary consult with its counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Law to the acquisition and holding of the Notes and whether an exemption would be applicable to the acquisition and holding of the Notes.

The sale of Notes (including an interest in a Note) to a Plan is in no respect a representation or recommendation by the Issuer, the Dealers or any other person that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or for any particular Plan.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Issuer to or through the Dealers are set out in the amended and restated Dealer Agreement dated December 7, 2017 (as amended from time to time, the “Dealer Agreement”) and made between the Issuer and the Dealers. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers, the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes.

It is intended that the Notes will normally be bought or traded by a limited number of investors who are particularly knowledgeable in investment matters.

Prior to the initial offering of the Notes under this Programme, there was no established trading market for the Notes. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, which is not a regulated market within the meaning of the MIFID Directive. Notes may also be listed on another stock exchange or may be unlisted, as specified in the Final Terms.

General

No action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Memorandum, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Offering Memorandum, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Issuer). The Issuer will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, that it will obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Memorandum, including the applicable Final Terms and any other information or document supplied.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Offering Memorandum or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any Dealer shall have any responsibility therefor.

Selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers. Any such modification will be set out in the Final Terms issued in respect of each Tranche to which it relates or in a supplement to this Offering Memorandum.

United States of America

The Notes have not been and will not be registered under the Securities Act, and we are not registered as an investment company under the Investment Company Act. In addition, ERISA and related regulations apply to the

purchase of Notes. Accordingly, the offering and resale of Notes are subject to significant transfer restrictions. See “Certain ERISA Considerations” and “Transfer Restrictions” for additional information on these transfer restrictions.

European Economic Area

In relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer that is appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum, as completed by the Final Terms in relation thereto, to the public in that Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public of such Notes in the Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) subject to the prohibition set out in “—Prohibition of Sales to EEA Retail Investors” below, at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Member State.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (“IMD”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of any offering contemplated by this Offering Memorandum as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or

- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Brazil

The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Notes nor the issuance of the Notes have been or will be registered with the CVM. Therefore, each dealers has represented and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Subsequent trading of the Notes in private transactions is not subject to registration in Brazil to the extent such trading does not qualify as a public offering or distribution. Persons wishing to offer or acquire the **Notes** within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

The Cayman Islands

Each Dealer has agreed that it has not offered or sold nor made an invitation to offer or sell, and will not offer or sell or make an invitation to offer or sell, any Notes to the public in the Cayman Islands. Notes may be issued to ordinary non-resident and exempted companies of the Cayman Islands. Each Dealer has agreed to comply with any direction of the Registrar of Companies in and for the Cayman Islands or the Cayman Islands Monetary Authority prohibiting (a) the sale of Notes to the public in the Cayman Islands or (b) any invitation to the public in the Cayman Islands to subscribe for the Notes.

Luxembourg

The Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and, neither this Offering Memorandum nor any other Circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in, or from or published in, the Grand Duchy of Luxembourg, except in circumstances which do not constitute a public offer of securities to the public.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Chile

The Notes will not be registered under Law 18,045, as amended, of Chile with the *Superintendencia de Valores y Seguros* (Chilean Securities Commission), and accordingly, they may not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law and the regulations from the *Superintendencia de Valores y Seguro*. Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Notes.

Colombia

The Notes will not be authorized by the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance) and will not be registered under the *Registro Nacional de Valores y Emisores* (Colombian National Registry of Securities and Issuers), and, accordingly, the Notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering pursuant to Section 6.11.1.1.1 of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

France

The Notes are being issued and sold outside the Republic of France and, in connection with their initial distribution, the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France, and this offering memorandum or any other offering material relating to the Notes have not been distributed and will not be distributed or caused to be distributed to the public in the Republic of France, and such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98 880 dated 1st October, 1998.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside

Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Italy

The offering of the Notes has not been cleared by the *Commissione Nazionale per le Società e la Borsa*, the Italian securities exchange commission (“CONSOB”) pursuant to the Italian securities laws and regulations. Accordingly, the Notes may not be offered, sold or delivered in the Republic of Italy, and copies of this offering memorandum or any other document relating to the Notes may not be circulated or distributed in the Republic of Italy, except to

- (a) qualified investors (*investitori qualificati*) as defined in Article 34-ter, first paragraph, letter b) of CONSOB Regulation no. 11971 dated May 14, 1999, as amended (“Regulation no. 11971”), pursuant to Article 100 paragraph 1, letter a) of Legislative Decree no. 58 dated February 24, 1998, as amended (the “Italian Securities Act”); or
- (b) in circumstances where there is an exemption from the rules governing an offer to the public pursuant to the Italian Securities Act, and its implementing CONSOB regulations, including Regulation no. 11971.

Any offer, sale or delivery of the Notes in the Republic of Italy or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be (i) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Securities Act, permitted to conduct such activities in the Republic of Italy in compliance with the Italian Securities Act, Legislative Decree no. 385 dated September 1, 1993, as amended and CONSOB Regulation no. 16190 dated October 29, 2007, as amended, and any other applicable law and regulation; and (ii) in compliance with any applicable Italian laws and regulations and any other requirement or limitation that may be imposed by CONSOB, the Bank of Italy (*Banca d'Italia*) or any other relevant Italian authorities.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and each dealer has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore “SFA,” and accordingly, the dealers may not offer nor sell the Notes pursuant to an offering nor make the Notes the subject of an invitation for subscription or purchase, nor will the dealers circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, Chapter 289 (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the Notes should note that any subsequent sale of the Notes acquired pursuant to an offer under this Offering Memorandum made under exemptions (a) or (b) above within a period of six months from the date of the initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely: (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. Unless specified otherwise in the applicable Final Terms, the Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this document nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of our Notes.

No U.S. Registration, Investment Company Act and Other Restrictions

We are not registered as an investment company under the Investment Company Act, and our Notes have not been registered under the Securities Act. They may not be offered or sold within the United States except in a transaction that:

- is in compliance with the registration requirements of the Securities Act and all applicable securities laws in the states of the United States;
- is exempt from, or is not subject to, the registration requirements of the Securities Act and any applicable securities laws of the states of the United States; and
- is neither prohibited by the Investment Company Act nor would require our company to register as an investment company under the Investment Company Act.

In addition, the offering or sale of our Notes must be in compliance with the applicable rules under ERISA, Section 4975 of the Code and any Similar Law.

Interests in any Restricted Global Notes will be offered and sold initially only:

- inside the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act that are also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act) in compliance with the exemption from the registration requirements of the Securities Act provided by Rule 144A thereunder, and who have submitted orders to acquire Restricted Global Notes in an amount of not less than US\$250,000 as reasonably determined by the Dealers or as certified by the purchasers of Restricted Global Notes.

Interests in any Unrestricted Global Notes will be offered and sold initially only:

- outside the United States to persons in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act (and no such transaction may involve a sale of the Unrestricted Global Notes to or for the account or benefit of a U.S. person as defined in Regulation S) or (ii) if such person is a U.S. person (as defined in Regulation S) but the transaction otherwise complies with Regulation S, such person is a qualified purchaser (as defined in Section 2(a)(51) of the Investment Company Act) .

We are not obligated to file a registration statement with respect to our Notes, and we may not file such a registration statement.

The offer and sale of the Notes is also subject to certain ERISA restrictions as described under the section entitled “Certain ERISA Considerations” and summarized in the representations deemed made by the purchaser of our Notes and the legends included in our Notes, as set forth below in these transfer restrictions

Each purchaser of Notes may be required, at the Dealer’s exclusive discretion, to certify in any manner acceptable to the Dealer that such purchaser is eligible to purchase the Notes being offered under the Programme.

Investment Company Act

In reliance on Section 3(c)(7) under the Investment Company Act (“Section 3(c)(7)”), we have not registered as an investment company pursuant to the Investment Company Act. To rely on Section 3(c)(7), we must have a “reasonable belief” that all purchasers of the Restricted Global Notes (including the initial purchasers and subsequent transferees) that are located in the United States or that are U.S. persons as defined for purposes of Regulation S are “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act at

the time of their purchase of such securities. We will establish a reasonable belief for purposes of Section 3(c)(7) based upon (i) the representations deemed made by the purchasers of the securities as set forth in these transfer restrictions, (ii) the legends included in our Notes and (iii) the procedures and restrictions referred to below.

Deemed Representations of Holders of Restricted Global Notes

Each purchaser of our Restricted Global Notes in this offering, as well as any person who acquires such Restricted Global Notes in the future (each, a “purchaser”), that is in the U.S. or is a U.S. person as defined for purposes of Regulation S (including the registered holders and beneficial owners of the Restricted Global Notes) will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser (i) is a “*qualified institutional buyer*” as defined in Rule 144A of the Securities Act; (ii) is aware that the sale of the Restricted Global Notes to it is being made in reliance on an exemption from the registration requirements of the Securities Act and (iii) is acquiring such Restricted Global Notes for its own account or the account of one or more qualified institutional buyers;
2. the purchaser (i) is a “*qualified purchaser*” within the meaning of Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder, which term generally includes (a) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is exempt from registration under Section 3(c)(7) of the Investment Company Act with that person’s qualified purchaser spouse) who owns not less than US\$5,000,000 in investments, as defined by the SEC; (b) any company that owns not less than US\$5,000,000 in investments and that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons; (c) any trust that is not covered by clause (b) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (a), (b), or (d); or (d) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than US\$25,000,000 in investments; (ii) is aware that we will not be registered under the Investment Company Act in reliance on the exemption set forth in Section 3(c)(7) thereof and that the Restricted Global Notes have not been and will not be registered under the Securities Act and (iii) is acquiring such Restricted Global Notes for its own account or the account of one or more qualified purchasers as to which the purchaser exercises sole investment discretion, as the case may be;
3. the purchaser is not a broker-dealer that owns and invests on a discretionary basis less than US\$25,000,000 in securities of unaffiliated issuers;
4. either (i) the purchaser is not and for so long as it holds the Restricted Global Notes (or any interest therein) will not be (and is not acquiring the Restricted Global Notes or any interest therein directly or indirectly with the assets of a person who is or while the Restricted Global Notes or any interest therein are held will be) a Plan, or (ii) the purchaser’s acquisition and holding of the Restricted Global Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law;
5. each purchaser of the notes (including any interest in a note) that is an ERISA Plan by acceptance of a note (including any interest in a note), will be deemed to have represented and warranted that a fiduciary acting on its behalf is causing it to purchase the notes and that such fiduciary: (a) is a U.S. bank, a U.S. insurance carrier, a U.S. registered investment adviser, a U.S. registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control as specified in 29 CFR Section 2510.3-21(c)(1)(i) (excluding an IRA owner if the purchaser is an IRA); (b) is independent (for purposes of 29 CFR Section 2510.3-21(c)(1)) of the Issuer, each Dealer and their respective affiliates (the “Transaction Parties”); (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser’s transactions with the Transaction Parties hereunder; (d) has been advised that none of the Transaction Parties has undertaken or

will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity, in connection with the purchaser's transactions with the Transaction Parties contemplated hereby; (e) is a "fiduciary" under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser's transactions with the Transaction Parties contemplated hereby; and (f) understands and acknowledges the existence and nature of the discounts, commissions and fees, and any other related fees, compensation arrangements or financial interests of the Transaction Parties in connection with the purchaser's transactions with the Transaction Parties contemplated hereby; and understands, acknowledges and agrees that no such fee or other compensation is a fee or other compensation for the provision of investment advice, and that none of the Transaction Parties, nor any of their respective directors, officers, members, partners, employees, principals or agents has received or will receive a fee or other compensation from the purchaser or such fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser's transactions with the Transaction Parties contemplated hereby.

6. if the purchaser is acquiring the Restricted Global Notes (or any interest therein) with the assets of a Plan, neither the Issuer nor any of its affiliates has investment discretion or renders investment advice (for a fee or other compensation) with respect to such assets;
7. the purchaser is not purchasing the Restricted Global Notes with a view to the resale, distribution or other disposition thereof in violation of the Securities Act;
8. the purchaser was not formed for the purpose of investing in us;
9. the purchaser understands that we may receive a list of participants holding positions in the Notes;
10. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Restricted Global Notes that have the purpose or effect of evading the applicable restrictions on resale;
11. neither the purchaser nor any account for which the purchaser is acquiring the Restricted Global Notes will hold such Restricted Global Notes for the benefit of any other person and the purchaser and each such account will be the sole beneficial owners thereof for all purposes and will not sell participation interests in the Restricted Global Notes or enter into any other arrangement pursuant to which any other person will be entitled to an interest in the distributions on the Restricted Global Notes ;
12. the Restricted Global Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Restricted Global Notes have not been and will not be registered under the Securities Act and we have not been and will not be registered under the Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Restricted Global Notes, such Restricted Global Notes may be offered, resold, pledged or otherwise transferred only to a person who the purchaser reasonably believes can make the representations set forth herein or in "—Deemed Representations of Holders of Unrestricted Global Notes";
13. in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Restricted Global Notes is in breach, at the time given, of any of the representations or agreements set forth above, we or the Transfer Agent may require such holder or beneficial owner to transfer such Restricted Global Notes or beneficial interests therein to a transferee acceptable to us as set forth under "Forced Sale of Securities"; pending such transfer, the holder will be deemed not to be the holder of such Restricted Global Notes for any purpose, and such holder will be deemed to have no interest whatsoever in such Restricted Global Notes except as otherwise required to redeem or sell its interest therein; and
14. the purchaser understands that the Restricted Global Notes offered in reliance on Rule 144A will be represented by either a DTC Restricted Global Note or a European Restricted Global Note. Before any interest in the DTC Restricted Global Note or European Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC

Restricted Global Note, the European Restricted Global Note, the DTC Unrestricted Global Note or the European Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Deemed Representations of Holders of Unrestricted Global Notes

Each purchaser (as defined above) of our Unrestricted Global Notes in this offering, as well as any person who acquires such Unrestricted Global Notes in the future (including the registered holders and beneficial owners of the Unrestricted Global Notes), will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser is a person who, at the time the buy order for the Unrestricted Global Notes was originated, was outside the United States and was not a “U.S. person” (and was not purchasing for the account or benefit of a “U.S. person”) as defined in Regulation S;
2. the purchaser understands that we may receive a list of participants holding positions in the Notes ;
3. the purchaser will not engage in hedging or short-selling or place simultaneous sell and buy orders or engage in similar kinds of transactions involving Unrestricted Global Notes that have the purpose or effect of evading the applicable restrictions on resale;
4. either (i) the purchaser is not and for so long as it holds the Unrestricted Global Notes (or any interest therein) will not be (and is not acquiring the Unrestricted Global Notes or any interest therein directly or indirectly with the assets of a person who is or while the Unrestricted Global Notes or any interest therein are held will be) a Plan, or (ii) the purchaser’s acquisition and holding of the Unrestricted Global Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law;
5. each purchaser of the notes (including any interest in a note) that is an ERISA Plan by acceptance of a note (including any interest in a note), will be deemed to have represented and warranted that a fiduciary acting on its behalf is causing it to purchase the notes and that such fiduciary: (a) is a U.S. bank, a U.S. insurance carrier, a U.S. registered investment adviser, a U.S. registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control as specified in 29 CFR Section 2510.3-21(c)(1)(i) (excluding an IRA owner if the purchaser is an IRA); (b) is independent (for purposes of 29 CFR Section 2510.3-21(c)(1)) of the Issuer, each Dealer and their respective affiliates (the “Transaction Parties”); (c) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, including the purchaser’s transactions with the Transaction Parties hereunder; (d) has been advised that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity, in connection with the purchaser’s transactions with the Transaction Parties contemplated hereby; (e) is a “fiduciary” under Section 3(21) of ERISA or Section 4975(e)(3) of the Code, or both, as applicable, with respect to, and is responsible for exercising independent judgment in evaluating, the purchaser’s transactions with the Transaction Parties contemplated hereby; and (f) understands and acknowledges the existence and nature of the discounts, commissions and fees, and any other related fees, compensation arrangements or financial interests of the Transaction Parties in connection with the purchaser’s transactions with the Transaction Parties contemplated hereby; and understands, acknowledges and agrees that no such fee or other compensation is a fee or other compensation for the provision of investment advice, and that none of the Transaction Parties, nor any of their respective directors, officers, members, partners, employees, principals or agents has received or will receive a fee or other compensation from the purchaser or such fiduciary for the provision of investment advice (as opposed to other services) in connection with the purchaser’s transactions with the Transaction Parties contemplated hereby.
6. if the purchaser is acquiring the Unrestricted Global Notes (or any interest therein) with the assets of a Plan, neither the Issuer nor any of its affiliates has investment discretion or renders investment advice (for a fee or other compensation) with respect to such assets;

7. the Unrestricted Global Notes are being offered only in a transaction not involving any public offering within the meaning of the Securities Act. The Unrestricted Global Notes have not been and will not be registered under the Securities Act and we have not been and will not be registered under the Investment Company Act and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer the Unrestricted Global Notes, such Unrestricted Global Notes may be offered, resold, pledged or otherwise transferred only to a person who the purchaser reasonably believes can make the representations set forth herein or in “—Deemed Representations of Holders of Restricted Global Notes”;
8. in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Unrestricted Global Notes is in breach of any of the representations or agreements set forth above, we or the Transfer Agent may require such holder or beneficial owner to transfer such Unrestricted Global Notes or beneficial interests therein to a transferee acceptable to us, as set forth under “Forced Sale of Securities”; pending such transfer, the holder will be deemed not to be the holder of such Unrestricted Global Notes for any purpose, and such holder will be deemed to have no interest whatsoever in such Unrestricted Global Notes except as otherwise required to redeem or sell its interest therein; and
9. the purchaser understands that the Unrestricted Global Notes offered in reliance on Regulation S will be represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in the DTC Unrestricted Global Note or the European Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, the European Unrestricted Global Note, the DTC Restricted Global Note or the European Restricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Legends

Each purchaser (including the registered holders and beneficial owners of the Notes as they exist from time to time, including as a result of transfers, in each case as of the time of purchase) of Restricted Global Notes within the United States pursuant to Rule 144A and Section 3(c)(7) by accepting delivery of this Offering Memorandum, understands that such Restricted Global Notes, unless we determine otherwise in compliance with applicable law, will bear a legend to the following effect:

THE ISSUER OF THIS NOTE IS NOT, AND WILL NOT BE, REGISTERED AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR THE INVESTMENT COMPANY ACT, AND THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, OR THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT, AS AMENDED, OR RULE 144A, TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS BOTH A QUALIFIED INSTITUTIONAL BUYER, OR A QIB, WITHIN THE MEANING OF RULE 144A, AND A QUALIFIED PURCHASER, OR A QP, WITHIN THE MEANING OF THE INVESTMENT COMPANY ACT THAT (I) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (II) IS NOT ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB THAT IS A QP, IN A PRINCIPAL AMOUNT OF NOT LESS THAN THE MINIMUM DENOMINATION FOR THE NOTES FOR THE PURCHASER AND FOR EACH SUCH ACCOUNT, (III) WAS NOT FORMED FOR PURPOSES OF INVESTING IN US, AND (IV) WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF

AVAILABLE), PROVIDED, HOWEVER, THAT IF ANY HOLDER OR BENEFICIAL OWNER OF THIS NOTE IS A U.S. PERSON, SUCH HOLDER OR BENEFICIAL OWNER IS A QP, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO US, THE TRANSFER AGENT OR ANY INTERMEDIARY.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE ACQUIROR WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THIS NOTE OR ANY INTEREST HEREIN DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE OR ANY INTEREST HEREIN IS HELD WILL BE) (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR ERISA), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A NON-U.S., GOVERNMENTAL OR CHURCH PLAN THAT IS NOT SUBJECT TO SUCH PROVISIONS OF ERISA OR THE CODE BUT WHICH IS SUBJECT TO THE PROVISIONS OF ANY NON-U.S. OR U.S. FEDERAL, STATE, OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A SIMILAR LAW, OR (IV) AN ENTITY OR ACCOUNT WHOSE ASSETS ARE DEEMED TO BE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN SUBJECT TO ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, OR (B) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW. ANY PERSON ACQUIRING THIS NOTE (OR ANY INTEREST HEREIN) WITH EACH PURCHASER OF THE NOTES THAT IS (1) AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (2) A PLAN OR ACCOUNT SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR (3) AN ENTITY DEEMED TO HOLD "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ACCOUNT, BY ACCEPTANCE OF A NOTE, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT A FIDUCIARY ACTING ON ITS BEHALF IS CAUSING IT TO PURCHASE THE NOTES AND THAT SUCH FIDUCIARY: (A) IS A U.S. BANK, A U.S. INSURANCE CARRIER, A U.S. REGISTERED INVESTMENT ADVISER, A U.S. REGISTERED BROKER-DEALER OR AN INDEPENDENT FIDUCIARY WITH AT LEAST \$50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL AS SPECIFIED IN 29 CFR SECTION 2510.3-21(C)(1)(I) (EXCLUDING AN IRA OWNER IF THE PURCHASER IS AN IRA); (B) IS INDEPENDENT (FOR PURPOSES OF 29 CFR SECTION 2510.3-21(C)(1)) OF THE ISSUER, EACH DEALER AND THEIR RESPECTIVE AFFILIATES (THE "TRANSACTION PARTIES"); (C) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE PURCHASER'S TRANSACTIONS WITH THE TRANSACTION PARTIES HEREUNDER; (D) HAS BEEN ADVISED THAT NONE OF THE TRANSACTION PARTIES HAS UNDERTAKEN OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR HAS GIVEN OR

WILL GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; (E) IS A "FIDUCIARY" UNDER SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, OR BOTH, AS APPLICABLE, WITH RESPECT TO, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING, THE PURCHASER'S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; AND (F) UNDERSTANDS AND ACKNOWLEDGES THE EXISTENCE AND NATURE OF THE DISCOUNTS, COMMISSIONS AND FEES, AND ANY OTHER RELATED FEES, COMPENSATION ARRANGEMENTS OR FINANCIAL INTERESTS OF THE TRANSACTION PARTIES IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; AND UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT NO SUCH FEE OR OTHER COMPENSATION IS A FEE OR OTHER COMPENSATION FOR THE PROVISION OF INVESTMENT ADVICE, AND THAT NONE OF THE TRANSACTION PARTIES, NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, PARTNERS, EMPLOYEES, PRINCIPALS OR AGENTS HAS RECEIVED OR WILL RECEIVE A FEE OR OTHER COMPENSATION FROM THE PURCHASER OR SUCH FIDUCIARY FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PURCHASER'S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY.

Each purchaser of Unrestricted Global Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Global Notes in resales, by accepting delivery of this Offering Memorandum and the Notes, understands that such Unrestricted Global Notes, unless otherwise determined by us in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, OR THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE ACQUIROR WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (A) EITHER (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THIS NOTE OR ANY INTEREST HEREIN DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE OR ANY INTEREST HEREIN IS HELD WILL BE) (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR ERISA), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR THE CODE) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) A NON-U.S., GOVERNMENTAL OR CHURCH PLAN THAT IS NOT SUBJECT TO SUCH PROVISIONS OF ERISA OR THE CODE BUT WHICH IS SUBJECT TO THE PROVISIONS OF ANY NON-U.S. OR U.S. FEDERAL, STATE, OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A SIMILAR LAW, OR (IV) AN ENTITY OR ACCOUNT WHOSE ASSETS ARE DEEMED TO BE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN SUBJECT TO ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, OR (2) ITS ACQUISITION AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW, AND (B) IT IS A QUALIFIED PURCHASER (A "QP") WITHIN THE MEANING OF

SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED, OR IT IS PURCHASING OR HOLDING THE NOTE FOR THE ACCOUNTS OF A QP. ANY PERSON ACQUIRING THIS NOTE (OR ANY INTEREST HEREIN) WITH THE ASSETS OF ANY SUCH PLAN, ENTITY OR ACCOUNT WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT NEITHER THE ISSUER NOR ANY AFFILIATE HAS INVESTMENT DISCRETION OR RENDERS INVESTMENT ADVICE (FOR A FEE OR OTHER COMPENSATION) WITH RESPECT TO SUCH ASSETS.

EACH PURCHASER OF THE NOTES THAT IS (1) AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), (2) A PLAN OR ACCOUNT SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) OR (3) AN ENTITY DEEMED TO HOLD “PLAN ASSETS” OF ANY SUCH EMPLOYEE BENEFIT PLAN, PLAN OR ACCOUNT, BY ACCEPTANCE OF A NOTE, WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT A FIDUCIARY ACTING ON ITS BEHALF IS CAUSING IT TO PURCHASE THE NOTES AND THAT SUCH FIDUCIARY: (A) IS A U.S. BANK, A U.S. INSURANCE CARRIER, A U.S. REGISTERED INVESTMENT ADVISER, A U.S. REGISTERED BROKER-DEALER OR AN INDEPENDENT FIDUCIARY WITH AT LEAST \$50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL AS SPECIFIED IN 29 CFR SECTION 2510.3-21(C)(1)(I) (EXCLUDING AN IRA OWNER IF THE PURCHASER IS AN IRA); (B) IS INDEPENDENT (FOR PURPOSES OF 29 CFR SECTION 2510.3-21(C)(1)) OF THE ISSUER, EACH DEALER AND THEIR RESPECTIVE AFFILIATES (THE “TRANSACTION PARTIES”); (C) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING THE PURCHASER’S TRANSACTIONS WITH THE TRANSACTION PARTIES HEREUNDER; (D) HAS BEEN ADVISED THAT NONE OF THE TRANSACTION PARTIES HAS UNDERTAKEN OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR HAS GIVEN OR WILL GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASER’S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; (E) IS A “FIDUCIARY” UNDER SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, OR BOTH, AS APPLICABLE, WITH RESPECT TO, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING, THE PURCHASER’S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; AND (F) UNDERSTANDS AND ACKNOWLEDGES THE EXISTENCE AND NATURE OF THE DISCOUNTS, COMMISSIONS AND FEES, AND ANY OTHER RELATED FEES, COMPENSATION ARRANGEMENTS OR FINANCIAL INTERESTS OF THE TRANSACTION PARTIES IN CONNECTION WITH THE PURCHASER’S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY; AND UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT NO SUCH FEE OR OTHER COMPENSATION IS A FEE OR OTHER COMPENSATION FOR THE PROVISION OF INVESTMENT ADVICE, AND THAT NONE OF THE TRANSACTION PARTIES, NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, PARTNERS, EMPLOYEES, PRINCIPALS OR AGENTS HAS RECEIVED OR WILL RECEIVE A FEE OR OTHER COMPENSATION FROM THE PURCHASER OR SUCH FIDUCIARY FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PURCHASER’S TRANSACTIONS WITH THE TRANSACTION PARTIES CONTEMPLATED HEREBY.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO US, THE TRANSFER AGENT OR ANY INTERMEDIARY.

Forced Sale of Securities

The purchaser agrees that in the event that we or the Transfer Agent determine in good faith that a holder or beneficial owner of the Notes is in breach, at the time given, of any of the representations or agreements set forth above, we or the Transfer Agent, as the case may be, may require such acquirer or beneficial owner to transfer such Notes or beneficial interests therein to a transferee acceptable to us who is able to and who does make all of the representations and agreements set forth in these transfer restrictions.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco BTG Pactual S.A. as of and for the years ended December 31, 2016, 2015 and 2014 included elsewhere in this Offering Memorandum have been audited by Ernst & Young Auditores Independientes S.S., independent auditors, as stated in their reports appearing herein.

With respect to the unaudited interim consolidated financial statements of Banco BTG Pactual S.A. as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016, included in this Offering Memorandum, Ernst & Young Auditores Independientes S.S., independent auditors, applied limited procedures in accordance with professional standards for a review of such information. Their report dated November 7, 2017, included in this Offering Memorandum, states that they did not audit and do not express an opinion on the interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

LEGAL MATTERS

The validity of the Notes will be passed upon for the Dealers by Shearman & Sterling LLP, English legal advisers and special United States counsel to the Dealers. The validity of the Notes will also be passed upon for the Issuer by Skadden, Arps, Slate, Meagher & Flom (UK) LLP, English legal adviser to the Issuer and Skadden, Arps, Slate, Meagher & Flom LLP, special United States counsel to the Issuer. The validity of the issuance of the Notes and certain other matters in connection with Brazilian law will also be passed upon for the Issuer by Machado, Meyer, Sendacz e Opice Advogados and for the Dealers by Demarest Advogados. Ogier will pass upon certain matters of Cayman Islands law relating to the Notes for the Issuer and Loyens & Loeff Luxembourg S.à r.l. will pass upon certain matters of Luxembourg law relating to the Notes for the Luxembourg Branch of the Issuer.

GENERAL INFORMATION

1. The Bearer Notes and Registered Notes represented by a DTC Unrestricted Global Note or a European Unrestricted Global Note have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for each Bearer Series of Notes, together with the relevant ISIN number and the CUSIP and/or CINS numbers for each Tranche of Registered Notes, will be contained in the Final Terms relating thereto. In addition, we will make an application with respect to any Restricted Notes of a Registered Series that they be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of such Tranche of a Registered Series will be confirmed in the applicable Final Terms.
2. All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Brazil have been given for the establishment of the Programme, the issue of Notes under the Programme and the execution of the Agency Agreement and Trust Deed and are in full force and effect, except for the (i) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the System of Information of the Central Bank for the issue of any series of Notes by the Issuer, acting through its principal office in Brazil, which shall be obtained prior to any such issuance, (ii) Schedule of Payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil, and (iii) further authorization from the Central Bank required to enable us to remit payments abroad in foreign currency under any series of Notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF.
3. The establishment of the Programme was authorized by a resolution of our board of executive officers passed on June 14, 2011, and the increase of our Programme limit to US\$5,000,000,000 was authorized by resolution of our board of executive officers on April 29, 2015. We have obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes.
4. Except as disclosed herein, neither we nor any of our subsidiaries is involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, any significant effect on our financial position or profitability nor, so far as we are aware, are any such governmental, legal or arbitration proceedings pending or threatened.
5. Save as disclosed herein, there has been no significant change in our financial or trading position or the financial or trading position of us and our subsidiaries and affiliates taken as a whole since our most recently published annual audited financial statements included elsewhere in this Offering Memorandum, and no material adverse change in our prospects since the date of our most recently published annual audited consolidated financial statements. Our interim consolidated financial statements are published quarterly and can be accessed on our investor relations website at the following address: http://ir.btgpactual.com/btgpactual/web/default_en.asp?idioma=1&conta=44. Our quarterly financial statements have been included elsewhere in this Offering Memorandum and will be available free of charge at the office of the Paying Agent.
6. We are a *sociedade por ações* duly incorporated on January 18, 1979 under the laws of Brazil with an indefinite term of duration. Our registered office in Brazil and principal administrative establishment is located at Praia de Botafogo, 501, 5º e 6º andares, Rio de Janeiro, RJ-22250-040, Brazil. The registered office of our Cayman Islands Branch is located at PO Box 1353, Harbour Place, 103 South Church Street, Grand Cayman KY1-1108, Cayman Islands. The registered office of our Luxembourg Branch is located at 15, rue Bender, L-1229 Luxembourg, Grand Duchy of Luxembourg. None of our directors and executive officers ourselves are residents of the United States, nor are we a resident of the United States, and all or a substantial portion of our assets and such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against any of them in United States courts judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States.
7. For so long as the Programme remains in effect or any Notes shall be outstanding, physical copies of the following documents may be inspected and obtained during normal business hours (i) at the specified

offices of any Paying Agent or Transfer Agent; (ii) at the registered office of Banco BTG Pactual S.A. in São Paulo, Brazil; (iii) if the Notes were issued through our Cayman Islands Branch and are outstanding, at the registered office of our Cayman Islands Branch; and (iv) if the Notes were issued through the Luxembourg Branch and are outstanding, at the registered office of the Luxembourg Branch, namely:

- (a) the constitutive documents of Banco BTG Pactual S.A.;
 - (b) the Offering Memorandum and any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent, Transfer Agent or the Issuer, as the case may be, as to its holding of Notes and identity);
 - (c) the Agency Agreement;
 - (d) the Trust Deed;
 - (e) the Dealer Agreement; and
 - (f) (i) our most recent publicly available audited consolidated annual financial statements, beginning with the financial statements for the years ended December 31, 2016, 2015 and 2014.
8. In addition, copies of the items listed above will be provided free of charge at the Specified Offices of the Paying Agents and Transfer Agents. Application has been made for the Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market. However, Notes may be issued under the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange or any other stock exchange, listing authority and/or quotation system or which will be listed on such stock exchange, listing authority and/or quotation system as the relevant Dealer(s) and ourselves may agree.

ANNEX A: PRINCIPAL DIFFERENCES BETWEEN BRAZILIAN GAAP AND IFRS

We maintain our books and records in *reais*, the official currency of Brazil, and prepare our consolidated financial statements for regulatory purposes in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank (“Brazilian GAAP”), which are based on:

- Brazilian Law No. 6,404/76, as amended by Law No. 8,021/90, Law No. 9,457/97, Law No. 10,303/01, Law No. 11,638/07 and Law No. 11,941/09 (the “Brazilian Corporations Law”); and
- the accounting standards established by the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*) (“COSIF”), the Central Bank and the CMN.

Law No. 11,638/07 and Law No. 11,941/09 amended the Brazilian Corporations Law and introduced the process of conversion of financial statements into International Financial Reporting Standards (“IFRS”). However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements in accordance with IFRS as originally issued by IASB and that are effective as of December 31, 2011. We are not including in this Offering Memorandum our supplemental financial statements prepared in accordance with IFRS.

There are certain differences between the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS (which incorporates existing International Financial Reporting Standards, IAS, as well as IFRIC and SIC interpretations) which may be relevant to the financial information presented herein. This section makes no attempt to identify or quantify the impact of these differences, nor can we give you any assurances that all differences have been identified. The following is a summary of certain differences; however, this summary does not purport to be complete and should not be construed as exhaustive.

In reading this summary, prospective investors in the Notes should also have regard to the considerations:

- This summary includes differences between accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS as of September 30, 2017. Differences resulting from changes in accounting standards that will become effective after September 30, 2017 have not been considered in this summary.
- Differences among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any future events, ongoing work and decisions of the regulatory bodies that promulgate accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS that could affect future comparisons among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS. The current differences disclosed in this summary are not intended to be complete and are subject to, and qualified in their entirety by, reference to the respective pronouncements of Brazilian professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.
- As differences among accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS may be significant to the financial position or results of operations of the Bank, prospective investors unfamiliar with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank should consult their own professional advisors for an understanding of the differences between accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank and IFRS and how those differences might impact the financial information presented herein.

- Unlike IFRS, under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, there are no specific principles relating to certain matters such as business combinations and financial instruments.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

Foreign Currency Translation

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, the financial statements of subsidiaries operating in non-hyper inflationary currency environments are translated using the current exchange rate. Financial statements presented in hyper inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement until the year ended December 31, 2016. From January 1, 2017, the assets and liabilities are translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period and the difference for the end of period rate is reported in equity (under the caption “asset valuation adjustment”).

Under IFRS, when translating financial statements into a different presentation currency (for example, for consolidation purposes), IFRS requires the assets and liabilities to be translated using the closing (year-end) rate. Amounts in the income statement are translated using the average rate for the accounting period if the exchange rates do not fluctuate significantly. Any translation differences are reported in equity (other comprehensive income).

Consolidation and Proportional Consolidation

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, financial statements should consolidate the following entities: (a) entities on which the company has voting rights that provides it with the ability to have the majority on the social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by shareholders agreements irrespective of the participation in voting stock. Joint ventures, including investees in which the company exerts significant influence through its participation in a shareholders agreement in which such group controls the investee, could be accounted for under the proportional consolidation method.

Under IFRS, the condition for consolidation is to have control, which is defined as the parent’s ability to govern the financial and operating policies of an entity to obtain benefits. Control is generally presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity, and potential voting rights must be considered. Notion of “de facto control” also may be considered. The standard also requires the effects of all transactions that result in decreases in ownership interest in a subsidiary without a loss of control are accounted for as equity transactions in the consolidated entity (that is, no gain or loss is recognized). For transactions that result in a loss of control of a subsidiary or a group of assets, any retained noncontrolling investment in the former subsidiary or group of assets is re-measured to fair value on the date control is lost, with the gain or loss included in income along with any gain or loss on the ownership interest sold.

Under IFRS, joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activities require unanimous consent of the members of the joint venture. IFRS 11 does not permit the proportionate consolidation method of accounting for interests in jointly controlled entities. The fair value option is not available to investors (other than venture capital organizations, mutual funds, unit trusts, and similar entities) to account for their investments in jointly controlled entities.

Under IFRS, specific guidance, is provided with respect to the consolidation of SPEs. A SPE may be created to accomplish a narrow and well defined objective. Such a special purpose entity may take the form of a corporation, trust, partnership or unincorporated entity and are often created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management.

The sponsor frequently transfers assets to the SPE, obtains rights to use assets held by the SPE or performs services for the SPE, while other parties may provide funding. An entity that engages in transactions with the SPE (frequently creator or sponsor) may in substance control the SPE.

SPEs shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

Beginning on January 1, 2013, IFRS 10 Consolidated Financial Statements (“IFRS 10”) became effective and consolidated in one single guidance the consolidation principles. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; Thus, the principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor’s returns.

IFRS 10 also requires an investor to reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Unlike IFRS 10, under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, there are no exceptions related to the investment entity concept.

Business Combinations, Purchase Accounting and Goodwill

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under IFRS 3 (Revised), Business Combinations requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method – the acquisition method.

Under IFRS 3 (Revised), the acquiring company records identifiable assets and liabilities acquired at their fair values. The shares issued in exchange for shares of other companies are accounted for at fair value based on the market price. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed.

In addition, IFRS 3 (Revised) sets out more detailed guidelines as to the recognition of “intangible assets.” Under IFRS 3 and IAS 38, “Goodwill and Other Intangible Assets,” goodwill and other intangible assets with indefinite lives are no longer amortized. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under IFRS 3 (Revised) negative goodwill will be recognized as a gain in the statement of operations. Finite lived intangible assets are generally amortized on a straight line basis over the estimated period benefited. The intangible asset related to client deposit and relationship portfolios is recorded and amortized over a period in which the asset is expected to contribute directly or indirectly to the future cash flows.

Accounting for Guarantees by a Guarantor

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under IFRS, certain financial guarantees may be accounted for as insurance contracts if certain conditions are met. Otherwise, the guidance in IAS 39 applies: (i) record guarantee contracts at fair value upon initial recognition and (ii) subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognized less cumulative amortization, when appropriate, under IAS 18.

Securities

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, securities are classified based on the investment strategy of the financial institution as either trading securities, available for sale or held to maturity and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities is directly in shareholders' equity. The rules to account for securities are stated more generally and are less comprehensive than the standards to account for securities under IFRS.

Under IFRS, financial assets including debt and equity securities can be categorized and accounted for as follows:

- financial assets at fair value through profit or loss including both financial assets held for trading and any financial assets designated within this category at their inception;
- held to maturity investments held with a positive intent and ability to be held to maturity and are recorded at amortized cost. Equity securities cannot be classified as held to maturity investments;
- loans and receivables that correspond to financial assets with fixed or determinable payments not quoted in an active market and are measured at amortized costs; and
- available for sale financial assets including debt and equity securities designated as available for sale, except those equity securities classified as held for trading and those not covered in the above categories which are measured at fair value. Changes in fair value are recognized in equity and recognized in the statement of income when realized.

For example, under accounting practices adopted in Brazil, debentures (a commonly traded security in Brazil which represents a credit against the issuer to the owner in certain terms defined) must be registered in the securities group of the balance sheet. This is different from the IFRS classification. Under IFRS rules, due to the essence of the operation being a form of credit to the issuer, the buyer of the debenture (creditor) must register it as a loan to a third party and therefore perform impairment tests under IFRS rules.

Comprehensive Income

Accounting Practices Adopted in Brazil do not have the concept of comprehensive income. Also, as under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, statutory reserves are required to appropriate 5% of the annual local currency earnings, after absorbing accumulated losses, to a legal reserve, which is restricted to distribution. The reserve may be used to increase capital or absorb losses, but may not be distributed as dividends. Any income remaining after the distribution of dividends on the statutory records and appropriations to statutory reserves is transferred to the reserve for future investments. Such reserve may be distributed in the form of dividends upon approval of the shareholders. There are no similar provisions for IFRS.

Under IFRS, a statement of recognized income and expenses can be presented including net income as well as other items of income and expense recognized directly in equity such as: (i) fair value gains (losses) on lands and buildings, intangible assets, available for sale investments and certain financial instruments, (ii) foreign exchange translation differences, (iii) the cumulative effect of a change in accounting policy, and (iv) change in fair value on certain financial instruments if designated as cash flow hedges or net investment hedges.

Financial Derivative Instruments

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, for periods from June 30, 2002, the accounting principles prescribed by the Brazilian Corporate Law specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Central Bank for all financial institutions. According to the accounting principles established by the Central Bank, derivative financial instruments are classified based on management's intention to use them for hedging or non-hedging purposes.

Transactions involving derivative financial instruments to meet customer needs or for own purposes that did not meet hedge accounting criteria established by the Central Bank and primary derivatives used to manage the overall exposures are accounted for at fair value with unrealized gains and losses recognized currently in earnings. Deliverable forward and foreign exchange contracts also have specific accounting procedures set by the Central Bank that differs from IFRS accounting. Under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, these operations are registered gross, which means that the long and the short positions of the trade needs to be registered. Under IFRS, these are netted and presented only the gain or loss in the operation.

Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- *Fair value hedge.* The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and
- *Cash flow hedge and net investment hedge.* The effective hedge portion of the derivatives is accounted for at fair value and unrealized gains and losses recorded as a separate component of shareholders' equity, net of applicable taxes. The non-effective hedge portion is recognized currently in earnings.

IAS 39 "Financial Instruments: Recognition and Measurement" requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.

Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either: (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income; or (ii) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank providing certain formalities are complied with. The revaluation increment, normally net of deferred tax effects, is credited to a reserve account in shareholders' equity. As from July 1, 1995 companies may opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized, on revaluation increments as from July 1, 1995. Amortization of the asset revaluation

increments are charged to income and an offsetting portion is relieved from the revaluation reserve in shareholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under IFRS, companies may use either the historical cost or carry their property, plant and equipment ("PP&E") at revalued amounts (based on fair value) as the accounting basis. When the revaluation model is selected, revaluations should be made with sufficient regularity. If an item of PP&E is revalued, the entire class of PP&E to which the asset belongs is required to be revalued. All revalued assets, including land, are subject, at the effective income tax rate from the sale of the asset, to deferred income tax. Gains and losses from the sale or disposal of assets are recorded as operating expenses.

Loan Accounting and Disclosure

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, loans are generally carried at cost. Until March 31, 2000 when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time overdue. As from March 31, 2000, loans should be categorized in 9 categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by CMN Resolution No. 2,682 of December 21, 1999, as amended, which requires periodic analysis of the portfolio and its classification, by risk level, in 9 categories between AA (minimum risk) and H (maximum risk – loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independent from their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for nine months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At a minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for loan losses and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged off are recognized as revenue on a cash basis.

Under IFRS, according to IAS 39 "Financial Instruments: Recognition and Measurement," loans and receivables are defined as financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables investments has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

Income Taxes

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, the methods adopted for the recording of income taxes are similar to IFRS but their practical application may lead to different results in certain circumstances. The recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is

evidence of future realization in a continuous operation, and potential effects of Provisional Measures enacted by the Brazilian Government are evaluated and the effects of increases in enacted tax rates on deferred taxes may not be integrally recognized if the related legislation is being questioned. On December 30, 2002, the Central Bank issued Central Bank Circular No. 3,171, as amended, which revoked Central Bank Circular No. 2,746, that: (i) requires specific supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realized in more than 5 years as from the reporting date. On March 31, 2006, Resolution No. 3,355 changed the period from 5 to 10 years for the realization of such tax credit.

Under IFRS, the liability method is used to calculate the income tax provision, as specified in IAS 12, "Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted or substantially enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses are recognized as assets. The deferred tax asset shall be recognized to the extent that it is probable that future taxable profit will realize such deferred tax asset.

Dividends and Interest Attributable to Shareholders' Equity

Subject to certain limitations, accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank permits companies to distribute or capitalize an amount of interest on shareholders' equity based on the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders' equity. By the end of the year, management is required to propose payment of dividends in those years which realize a profit, unless such profit has been absorbed by any accumulated losses. The entire proposed amount is accounted for as a liability at the balance sheet date.

Under IFRS, both the minimum dividends required by law and/or included in the entity's by-laws meet the definition of present obligation and, therefore, should be accounted for at the end of the year.

Cash and Cash Equivalent

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, cash equivalents are defined in broader terms than in the context of IFRS, with no limitation of 90 days/three months original maturity. Cash equivalents in Brazil are usually readily available funds which involve cash and overnight applications and may include long term securities which can be negotiated in the secondary market.

Under IFRS, cash equivalents are defined as short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Generally, only investments with original maturities of three months or less qualify under that definition held for the purposes of meeting short term cash commitments rather than for investment or other purposes.

Held for Sale

Non-current Assets Held for Sale and Discontinued Operations: Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, Held for Sale and Discontinued Operations is applicable only for fixed assets not in use anymore or received as a guarantee, that are measured based on independent experts appraisal report and do not require specific disclosure in financials, while in IFRS it is applicable for all assets, that are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the statement of financial position with specific disclosure. In some cases, Banco BTG Pactual adopts this IFRS concept to better reflect the nature and situation of the investment.

Day One Gain and Losses

IAS 39 (IFRS 9) and IFRS 13 acknowledge that the best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received), although this will not necessarily be the case in all circumstances. Although IFRS 13 specifies how to measure fair value, IAS 39 (IFRS 9) contains restrictions on recognizing differences between the transaction price and the initial

fair value as measured under IFRS 13, often called day one profits, which apply in addition to the requirements of IFRS 13.

If an entity determines that the fair value on initial recognition differs from the transaction price, the difference is recognized as a gain or loss only if the fair value is based on a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. Otherwise, the difference is deferred and recognised as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability. Therefore, entities that trade in financial instruments are prevented from immediately recognizing a profit on the initial recognition of many financial instruments that are not quoted in active markets.

Under accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank, at initial recognition, if the measurement of fair value of a financial instrument and the transaction price differs, the entity recognizes the resulting gain or loss in profit or loss, with no exceptions, different from IFRS as mentioned above.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Independent auditor's review report on the consolidated financial statements of Banco BTG Pactual S.A. as of and for the nine months ended September 30, 2017	F-4
Consolidated balance sheets of Banco BTG Pactual S.A. as of September 30, 2017	F-6
Consolidated statements of income of Banco BTG Pactual S.A. for the nine months ended September 30, 2017	F-8
Statements of changes in shareholders' equity of Banco BTG Pactual S.A. for the nine months ended September 30, 2017	F-9
Consolidated statements of cash flows of Banco BTG Pactual S.A. for the nine months ended September 30, 2017	F-10
Consolidated statements of value added of Banco BTG Pactual S.A. for the nine months ended September 30, 2017	F-11
Notes to the consolidated financial statements of Banco BTG Pactual S.A. as of and for the nine months ended September 30, 2017	F-12
 Independent auditor's report on the consolidated financial statements of Banco BTG Pactual S.A. as of and for the year ended December 31, 2016	 F-60
Consolidated balance sheets of Banco BTG Pactual S.A. as of December 31, 2016 and 2015	F-66
Consolidated statements of income of Banco BTG Pactual S.A. for the years ended December 31, 2016 and 2015	F-68
Statements of changes in shareholders' equity of Banco BTG Pactual S.A. for the years ended December 31, 2016 and 2015	F-69
Consolidated statements of cash flows of Banco BTG Pactual S.A. for the years ended December 31, 2016 and 2015	F-70
Consolidated statements of value added of Banco BTG Pactual S.A. for the years ended December 31, 2016 and 2015	F-71
Notes to the consolidated financial statements of Banco BTG Pactual S.A. as of and for the years ended December 31, 2016 and 2015	F-72
 Independent auditor's report on the consolidated financial statements of Banco BTG Pactual S.A. as of and for the years ended December 31, 2015	 F-122
Consolidated balance sheets of Banco BTG Pactual S.A. as of December 31, 2015 and 2014	F-125
Consolidated income statements of Banco BTG Pactual S.A. for the years ended December 31, 2015 and 2014	F-127
Statements of changes in shareholders' equity of Banco BTG Pactual S.A. for the years ended December 31, 2015 and 2014	F-128
Consolidated statements of cash flows of Banco BTG Pactual S.A. for the years ended December 31, 2015 and 2014	F-129
Consolidated statements of value added of Banco BTG Pactual S.A. for the years ended December 31, 2015 and 2014	F-130
Notes to the consolidated financial statements of Banco BTG Pactual S.A. as of and for the years ended December 31, 2015 and 2014	F-131

Consolidated Financial Statements
Banco BTG Pactual S.A. and subsidiaries

September 30, 2017

with independent auditor's review report.

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

September 30, 2017

Contents

Independent auditor's review report	F-4
Consolidated balance sheets	F-6
Consolidated statements of income	F-8
Statements of changes in shareholders' equity – parent company	F-9
Consolidated statements of cash flows	F-10
Consolidated statements of value added	F-11
Notes to the consolidated financial statements	F-12

A free translation from Portuguese into English of the independent auditor's review report on interim consolidated financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent auditor's review report

To the Shareholders and Management of
Banco BTG Pactual S.A. and subsidiaries

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries ("Bank"), which comprise the consolidated balance sheet as of September 30, 2017 and the related statements of income for the three and nine-months periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes..

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated financial statement based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred above have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.



Emphasis of matters

Tax credits recorded in jointly-controlled subsidiary

At September 30, 2017, the jointly-controlled subsidiary Banco PAN S.A. records income tax and social contribution credits totaling R\$ 3.2 billion, substantially recognized based on study of the current and future scenarios approved by the Board of Directors on August 18, 2017. The key assumptions used in such study were macroeconomic indicators disclosed in the market. Realization of such tax credits depends on materialization of such projections and of the business plan, as approved by the management bodies of Banco PAN S.A.. Our conclusion is not qualified in respect of this matter.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the three-month period ended at September 30, 2017 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil on which we issued an unqualified audit opinion containing the same emphasis paragraph described above, dated November 7, 2017.

Other matters

Consolidated Statement of value added

We have also reviewed the consolidated statement of value added, for the nine-month period ended at September 30, 2017, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. This consolidated statement has been subject to the same review procedures previously described. For the purposes of forming our conclusion, we evaluated whether this statement is reconciled with the interim consolidated financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our conclusion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the interim consolidated financial statements taken as a whole.

Rio de Janeiro, November 7, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP 015.199/O-6

Rodrigo de Paula
Contador CRC – 1SP 224.036/O-8

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at September, 30, 2017 and December 31, 2016

(In thousands of reais)

	Note	30/09/2017	31/12/2016
Assets			
Current assets		85,266,661	83,553,280
Cash at banks	6	837,074	674,114
Short-term interbank investments	7	25,197,978	20,752,635
Open market investments		23,704,157	18,810,059
Interbank deposits		1,493,821	1,942,576
Securities and derivative financial instruments		30,193,614	33,304,289
Own portfolio	8	11,271,538	12,887,902
Subject to repurchase agreements	8	3,495,902	6,385,653
Subject to unrestricted repurchase agreements	8	285,171	185,449
Derivative financial instruments	9	12,360,106	10,897,355
Subject to guarantees	8	2,780,897	2,947,930
Interbank transactions		1,323,594	1,962,962
Deposits in the Central Bank of Brazil		1,300,078	1,962,962
Restricted credits – National Housing System		23,516	-
Loans	10	4,202,125	3,634,223
Loans		4,711,289	4,003,998
Transferred loans with coobligation		310,790	12,848
Allowance for loan losses		(819,954)	(382,623)
Other receivables		23,457,306	23,156,354
Foreign exchange portfolio	11	106,211	-
Income receivable	12	5,543,665	14,695,453
Securities trading and brokerage	11	1,699,991	668,728
Sundry	12	6,014,013	2,790,923
Allowance for losses on other receivables	10	10,220,861	5,149,017
Other assets		(127,435)	(147,767)
Other assets		54,970	68,703
Temporary investments		372	-
Other assets		2,678	1,727
Prepaid expenses		60,222	66,976
Provision for losses on other assets		(8,302)	-
Long-term-assets		22,803,320	19,577,416
Long-term interbank investments	7	128,342	48
Open market investments		128,342	48
Securities and derivative financial instruments		8,073,777	4,181,932
Own portfolio	8	1,461,546	496,085
Derivative financial instruments	9	2,237,789	1,012,968
Subject to repurchase agreements	8	3,585,413	778,640
Subject to guarantees	8	789,029	1,894,239
Interbank transactions		217,763	272,357
Restricted credits – National Housing System		217,763	272,357
Loans	10	7,735,534	5,879,135
Loans		7,786,315	6,076,828
Transferred loans with coobligation		174,427	-
Allowance for loan losses		(225,208)	(197,693)
Other receivables		6,515,846	9,159,107
Income receivable	12	65,438	192,477
Sundry	12	6,540,958	8,968,038
Allowance for losses on other receivables	10	(90,550)	(1,408)
Other assets		132,058	84,837
Temporary investments		52,149	52,149
Other assets		119,755	62,576
Prepaid expenses		7,202	15,211
Provision for losses on other assets		(47,048)	(45,099)
Permanent assets		5,639,849	8,640,861
Investments		5,328,666	8,167,843
Investments in associates and jointly controlled entities - in Brazil	13	1,655,421	1,613,057
Investments in associates and jointly controlled entities - abroad	13	3,658,017	6,539,084
Other investments		18,842	19,200
Allowance for losses in investments		(3,614)	(3,498)
Property and equipment in use		79,897	92,688
Property in use		4,916	4,930
Other property and equipment in use		249,456	245,955
Accumulated depreciation		(174,475)	(158,197)
Deferred charges		-	13,595
Amortization and expansion costs		-	63,842
Accumulated amortization		-	(50,247)
Intangible assets	14	231,286	366,735
Other intangible assets		1,407,000	1,300,456
Accumulated amortization		(1,175,714)	(933,721)
Total assets		113,709,830	111,771,557

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at September, 30, 2017 and December 31, 2016

(In thousands of reais)

	Note	30/09/2017	31/12/2016
Liabilities			
Current liabilities		66,446,700	70,059,411
Deposits	15	7,292,880	7,529,145
Demand deposits		290,480	128,552
Interbank deposits		194,744	171,806
Time deposits		6,807,656	7,228,787
Open market funding	15	25,739,360	24,083,428
Own portfolio		6,813,267	7,687,107
Third-party portfolio		18,270,694	12,967,472
Free trading portfolio		655,399	3,428,849
Funds from securities issued and accepted	15	2,683,997	5,627,207
Real estate, mortgage, credit and similar notes		2,552,132	5,273,282
Securities issued abroad		101,518	342,252
Certificates of structured transactions		30,347	11,673
Interbank transactions		4,989	5,060
Unsettled receipts and payments		4,989	5,060
Interdependencies transactions		158,248	82,602
Unsettled third party assets		158,248	82,602
Loans and borrowings	15	1,269,956	999,606
Loans abroad		1,032,798	768,480
Loans in Brazil		152,049	163,771
Borrowings in Brazil		85,109	67,355
Derivative financial instruments	9	11,106,186	8,430,235
Derivative financial instruments		11,106,186	8,430,235
Other liabilities		18,191,084	23,302,128
Collection and payments of tax and similar charges		2,337	3,889
Foreign exchange portfolio	11	5,394,218	14,341,764
Social and statutory	16	469,369	1,457,553
Tax and social security	16	2,587,864	326,911
Securities trading and brokerage	11	7,381,191	4,101,958
Subordinated debt	15	1,273,262	1,239,548
Sundry	16	1,082,843	1,830,505
Long-term liabilities		28,371,180	23,717,671
Deposits	15	1,029,856	161,672
Interbank deposits		32,560	54,329
Time deposits		997,296	107,343
Open market funding	15	1,896,307	820,545
Own portfolio		783,669	105,979
Free trading portfolio		1,112,638	714,566
Funds from securities issued and accepted	15	5,280,675	4,708,495
Real estate, mortgage, credit and similar notes		3,205,780	2,556,676
Securities issued abroad		2,043,559	2,151,819
Certificates of structured transactions		31,336	-
Loans and borrowings	15	2,834,982	2,545,216
Loans abroad		196,808	-
Borrowings in Brazil		2,638,174	2,545,216
Derivative financial instruments	9	2,190,663	1,214,642
Derivative financial instruments		2,190,663	1,214,642
Other liabilities		15,138,697	14,267,101
Tax and social security	16	122,245	137,557
Subordinated debt	15	5,448,372	6,043,442
Debt instrument eligible to capital	15	4,104,802	4,305,202
Sundry	16	5,463,278	3,780,900
Deferred income		142,215	141,783
Non-controlling interest		140,439	125,473
Shareholders' equity	19	18,609,296	17,727,219
Capital - domiciled in Brazil		4,727,290	4,727,289
Capital - domiciled Abroad		2,493,236	2,493,237
Capital under approval		171,566	-
Capital Reserve		652,515	652,515
Asset valuation adjustment		47,473	39,756
Income reserves		9,467,352	9,885,256
Treasury shares		-	(70,834)
Retained earnings		1,049,864	-
Total Liabilities and Shareholders' equity		113,709,830	111,771,557

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Nine-month period and quarters ended September 30

(In thousands of reais, except net income per share)

	Note	Quarter ended:		Nine-month period ended:	
		30/09/2017	30/09/2016	30/09/2017	30/09/2016
Financial income		2,680,658	2,673,493	7,519,310	11,052,915
Loans		477,013	466,291	1,250,481	1,570,203
Securities		1,801,598	2,370,539	4,766,534	3,441,383
Derivative financial instruments		367,128	(582,302)	1,127,173	3,900,286
Foreign Exchange		6,093	373,716	252,073	1,994,023
Mandatory investments		28,826	45,249	123,049	147,020
Financial expenses		(1,320,807)	(2,057,125)	(4,478,280)	(4,727,100)
Funding operations		(1,369,817)	(1,638,842)	(4,084,490)	(5,320,671)
Borrowing		80,398	(419,442)	(187,150)	635,559
Allowance for loan losses and other receivables	10	(31,388)	1,159	(206,640)	(41,988)
Net financial income		1,359,851	616,368	3,041,030	6,325,815
Other operating expenses		(1,888,353)	(191,659)	(2,051,007)	(2,452,785)
Income from services rendered	20	310,219	827,056	1,080,293	2,327,731
Personnel expenses		(172,346)	(463,750)	(480,554)	(1,540,584)
Other administrative expenses	23	(1,909,741)	(702,139)	(2,436,127)	(1,924,114)
Tax charges		(63,913)	(126,849)	(177,720)	(462,772)
Equity earnings of associates and jointly controlled entities	13	6,648	244,157	41,300	(702,181)
Other operating income	21	165,133	257,186	644,466	942,186
Other operating expenses	22	(224,353)	(227,320)	(722,665)	(1,093,051)
Operating income		(528,502)	424,709	990,023	3,873,030
Non-operating (expenses) / income	24	14,468	77,818	(7,048)	562,245
Income before taxation and profit sharing		(514,034)	502,527	982,975	4,435,275
Income tax and social contribution	18	1,230,699	5,428	1,200,641	(1,198,674)
Provision for income tax		(365,638)	201,399	(586,387)	(219,256)
Provision for social contribution		708,956	22,238	634,262	(148,510)
Deferred income tax and social contribution		887,381	(218,209)	1,152,766	(830,908)
Statutory profit sharing		(215,001)	174,505	(466,099)	(556,057)
Non-controlling interest		(805)	34,619	5,967	48,254
Net income for the quarter / period	19	500,859	717,079	1,723,484	2,728,798
Interest on equity	19	-	-	(623,776)	(500,000)
Weighted average numbers of share outstanding		2,729,192,793	2,869,132,343	2,754,089,797	2,764,384,777
Net income per share - R\$		0.18	0.25	0.63	0.99

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – parent company

Nine-month period ended September 30

(In thousands of reais, except for dividends and interest on equity per share)

	Note	Income reserves							Total
		Capital	Capital under approval	Capital reserve	Special earnings reserve	Legal	Unrealized	Statutory	
Balances as at December 31, 2015		7,180,526	-	-	-	907,770	5,389,109	6,170,174	12,467,579
Capital Increase	19	40,000	-	3,960,000	-	-	-	(4,000,000)	(4,000,000)
Own shares acquired	19b	-	-	-	-	-	-	-	-
Cancellation of treasury shares	19b	-	-	-	-	-	-	(654,845)	(654,845)
Interest on equity (R\$0.07 per share)	19	-	-	-	250,000	-	-	(250,000)	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	-
Net income for the period		-	-	-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-	-	-
Income reserve		-	-	-	-	100,586	(473,546)	473,546	100,586
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-	-	-
Balances as at September 30, 2016		7,220,526	-	3,960,000	250,000	1,008,356	4,915,563	1,738,875	7,912,250
Balances as at December 31, 2016		7,220,526	-	652,515	-	1,078,199	3,236,533	5,516,059	9,830,133
Capital increase under approval	19	-	171,566	-	-	-	-	-	-
Own shares acquired	19b	-	-	-	-	-	-	-	-
Cancellation of treasury shares	19b	-	-	-	-	-	-	(467,748)	(467,748)
Interest on equity received by on shares repurchase		-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	-
Currency translation adjustments		-	-	-	-	-	-	-	-
Foreign Investment hedge		-	-	-	-	-	-	-	-
Interest on equity (R\$0.11 per share)		-	-	-	300,000	-	-	(300,000)	-
Net income for the period		-	-	-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-	-	-
Income reserve		-	-	-	-	49,844	-	-	49,844
Interest on equity (R\$0.23 per share)	19	-	-	-	-	-	-	-	-
Balances as at September 30, 2017		7,220,526	171,566	652,515	300,000	1,128,043	3,236,533	4,748,311	9,412,483

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19.

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2017	30/09/2016
Operating activities			
Net income for the period		1,723,484	2,728,798
Adjustments to net income		(131,824)	4,019,211
Equity pick up from associates and jointly controlled entities	13	(41,300)	702,181
Interest expense with subordinated debt		867,121	2,056,353
Deferred income tax and social contribution		(1,152,766)	830,908
Goodwill amortization	22	143,202	126,815
Goodwill exchange variation	14	(134)	48,694
Interest on equity received by own shares repurchase		6,224	-
Permanent assets exchange variation		(3,966)	43,916
Depreciation and amortization	23	49,795	210,344
Adjusted net income for the period		1,591,660	6,748,009
(Increase)/decrease in operational activities			
Short-term interbank investments		4,173,203	(1,196,822)
Securities and derivative financial instruments		2,802,447	2,276,415
Loans		(2,424,299)	15,995,369
Other receivables and other assets		5,157,865	11,284,497
Interbank transactions		693,888	223,311
Interdependencies transactions		75,646	-
Other liabilities		(2,587,691)	(85,454)
Deferred income		432	(161,407)
Deposits		631,919	(33,262,191)
Open market funding		2,731,694	3,225,163
Loans and borrowings		560,116	(1,413,852)
Cash provided by operating activities		13,406,880	3,633,038
Investing activities			
Sale of other investment		358	16,194
Sale of investments	13	1,291,822	8,640
Acquisition of equity interests	13	(306,025)	-
Dividends and interest on equity received	13	274,115	128,775
Acquisition of property		(9,282)	(47,476)
Sale of property		7,645	30,745
Acquisition of intangible assets		(26,710)	(24,817)
Business combination / desconsolidation, net of cash		-	(14,274,581)
Sale of intangible assets		1,285	-
Cash provided by / (used in) investing activities		1,233,208	(14,162,520)
Financing activities			
Acquisition of treasury shares		(396,914)	(522,451)
Funds from securities issued and accepted		(2,371,030)	(8,247,507)
Subordinated debt and debt instrument eligible to equity		(1,628,876)	(3,499,545)
Non-controlling interest		14,966	(89,003)
Interest on equity	19	(1,520,000)	(492,754)
Capital increase under approval	19	171,566	-
Cash (used in) financing activities		(5,730,288)	(12,851,260)
Increase / (decrease) in cash and cash equivalents		8,909,800	(23,380,742)
Balance of cash and cash equivalents	25		
At the beginning of the period		13,973,748	38,429,340
At the end of the period		22,883,548	15,048,598
Increase / (decrease) in cash and cash equivalents		8,909,800	(23,380,742)
Non-cash transaction			
Acquisition of equity interests		-	(9,217,398)
Sale of investments		1,696,276	1,850,849
Interest on equity payable		-	500,000
Interest on equity		300,000	250,000
Changes in fair value of assets available for sale		(2,081)	(103,261)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Nine-month period ended September 30

(In thousands of reais)

	30/09/2017	30/09/2016
Income	8,599,603	13,792,026
Financial brokerage	7,519,310	11,052,915
Services rendered	1,080,293	2,327,731
Other	-	411,380
Expenses	(4,563,527)	(4,727,100)
Financial brokerage	(4,271,640)	(4,685,112)
Allowance for loan losses and other receivables	(206,640)	(41,988)
	(85,247)	-
Inputs acquired from third parties	(2,325,398)	(1,579,106)
Materials, energy and other	(1,641,067)	(14,184)
Outsourced services	(684,331)	(1,564,922)
Gross value added	1,710,678	7,485,820
Depreciation and amortization	(49,795)	(210,344)
Net value added produced by the entity	1,660,883	7,275,476
Value added received through transfer	41,300	(702,181)
Equity in the earnings of associates and jointly controlled entities	41,300	(702,181)
Value added to be distributed	1,702,183	6,573,295
Distribution of value added	1,702,183	6,573,295
Personnel	946,653	2,096,641
Direct compensation	816,657	1,758,734
Benefits	68,887	179,526
FGTS – government severance pay fund	61,109	158,381
Taxes, fees and contributions	(1,022,921)	1,661,447
Federal	(1,072,646)	1,566,092
Municipal	49,725	95,355
Remuneration of third party capital	60,934	134,663
Rent expenses	60,934	134,663
Remuneration of shareholders	1,717,517	2,680,544
Retained earnings	2,347,260	3,228,798
Interest on equity	(623,776)	(500,000)
Non-controlling interest	(5,967)	(48,254)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

1. Operations

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, investment portfolios, credit, financing and investment, leasing and real estate loans.

Transactions are conducted by a group of institutions fully participating in the financial market, and may be intermediated by other institutions from the BTG Pactual Group.

The Bank have units listed on B3 S.A. in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank.

BTG Pactual concluded its strategic plan to improve liquidity and preserve capital; and it understands that the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of the commodities business as well as the cost reduction program, will bring it to levels of liquidity and capital better than its historical.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

On April 7, 2016, the Special Committee, assisted by the Legal Counsel, concluded their investigation and released their final report. Based on its investigation, the Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel under investigation engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

New unit programs

On February 14, 2017 the Board of Directors approved two new unit programs, whose units will be traded on the B3 S.A., representing exclusively the 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 the Bank, and (ii) units to be traded under the PPLA11 ticker symbol, comprised of one Brazilian depository receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations Ltd (previously named BTG Pactual Participations Ltd).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

In August 2017, considering a notice from B3 S.A., regarding the trading price of PPLA11 units approaching R\$1.00 per unit, the Companies analyzed potential structure to meet the requirements of the applicable regulation.

The Boards of Directors of the Companies approved BBTG11 unit holders to receive units from the segregated trading structure of each of the Companies, BPAC11 for Bank investors and PPLA 11 for BTGP investors. From the beginning of the trading session on August 18, 2017 to the end of the trading session on August 21, 2017, each holder of the BPAC 11 units automatically received one BPAC11 unit and one PPLA 11 unit for each BBTG11 unit, without any other significant changes.

Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 104,192,230 units have been repurchased in the total amount of R\$1,442,387 and 104,192,230 units had been canceled, in the amount of R\$1,442,387. On September 30, 2017, all units were canceled.

2. Corporate reorganization and acquisitions

Corporate events

On January 2017, the shareholders of BTG Pactual approved without qualification, the merger of BTG Pactual Comercializadora de Energia Ltda by the Bank. On May 31, 2017, the BTG Comercializadora Ltda was merged by BTG Pactual.

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk from the operational structure of BTG Pactual and to restructure the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners (“Engelhart CTP”), which is operating separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm’s length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. Up to five years after the completion of the separation, Engelhart CTP have the option to acquire its remaining equity interest held by the Bank for its equity value.

Further to the process of separation of its commodity trading activities, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP in exchange for the Bank’s 596,209,676 Class C Preferred Shares (“PNCs”) that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the shares registry of those shareholders that did not elect to receive equity interests in Engelhart CTP. BTG Pactual is recognizing the remaining stake as an investment in an associate entity based on the equity method.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

During the period ended September 30, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 10.65% (December 31, 2016 – 6.1%) of its own shares held by the Bank. The total consideration paid was US\$251 million (December 31, 2016 - US\$150 million) and the price was equivalent to Engelhart CTP's net asset accounting value. On September 30, 2017 the Group has a stake equivalent to 19.39% of Engelhart CTP.

Acquisitions and disposals

On November 1, 2016, BTG Pactual sold 100% of BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF390 million. EFG's stake were accounted for using the equity pick up method.

On March 15, 2017, BTG Pactual received a notification from EFG claiming purchase price adjustments under the documents for the sale of BSI, of approximately CHF278 million in favor of EFG International ("EFG"). After careful review of such proposed adjustments and based on available information as at this date, BTG Pactual, after taking into consideration the input from its advisers, concluded the appropriate adjustment on a risk-adjusted basis could be CHF95.7 million in favor of BTG Pactual. On July 17, 2017, after negotiation with EFG, the Bank has agreed to return CHF 89 million of the amount previously paid by EFG. The resolution of this matter includes the CHF 95 million fine previously imposed by FINMA on BSI.

In December, 2016, the bank repurchased Thor Comercializadora de Energia S.A., which had been sold on October 30, 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

In November 2016, BTG Pactual, together with its joint-venture partner, entered into definitive agreements to sell 100% of the equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. On February 6, 2017, the sale transaction of Maybrooke equity interest was completed, and generated a loss in the amount of R\$35 million.

In November 2016, the Bank entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of corporate loan portfolios, in the amount of R\$19 million. On April 17, 2017, the acquisition transaction of Enforce equity interest, was approved.

In February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO"), in the amount of CHF90 million.

On April 20, 2016, BTG Pactual informed its shareholders and the market in general that purchase and sale agreements were entered into, whereby CNP Assurances S.A. agreed to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R\$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of the transactions plus any dividends to be distributed to the their respective shareholders until the completion date, in accordance with the relevant agreements. On February

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

2, 2017 the bank announced that the aforementioned transaction will not be concluded because precedent conditions have not been met.

3. Presentation of the financial statements

The Bank's consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the Conselho Monetário Nacional (CMN), BACEN and Securities and Exchange Commission (CVM), when applicable.

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by BACEN, requires management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with uncertain tax position, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent uncertainties to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

The consolidated financial statements were approved by the Bank's management on November 7, 2017, and they contain a true and fair view of the development and results of the Bank. management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and the portions of net income (loss) and shareholders' equity relating to non-controlling interest were included.

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities are recognized in investments.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

		Equity interest - %	
	Country	30/09/2017	31/12/2016
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	-	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	77.93	73.93
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual TTG Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTGP-BSI LIMITED	UK	100.00	100.00
Enforce Gestão de Ativos S.A.	Brazil	70.00	-
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Infra IX Empreendimentos e Participações S.A	Brazil	100.00	100.00
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion	Mexico	100.00	100.00
Newco SEG Holding S.A.	Brazil	100.00	-
TTG Forestry Services LLC	USA	100.00	-
N.A.S.S.P.E Empreendimentos e Participacoes S.A.	Brazil	100.00	100.00
BTG Pactual Argentina S.A.	Argentina	100.00	100.00

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

	Country	Equity interest - %	
		30/09/2017	31/12/2016
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Real Estate Fund Ltd	Cayman	100.00	100.00
BTG Pactual Absolute Return Master Fund	Cayman	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	100.00
BTG Pactual ARF Equities Brasi FIA IE	Brazil	100.00	

b. Functional currency

The amounts included in the Bank's consolidated financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the Bank.

The assets and liabilities of subsidiaries with a functional currency other than Brazilian Real are translated as follows: (i) assets and liabilities are translated using the closing rate at the balance sheet date, (ii) income and expenses are translated using monthly average exchange rates, and (iii) investments in subsidiaries abroad are recognized as follows: for those with functional currency equal to Real, the same amount of the income for the period recorded in the subsidiaries is recognized and: for those with other functional currencies income for the period recorded in the subsidiaries is included in shareholders' equity before transled.

The effects of foreign exchange variations on investments abroad are distributed in the fair value adjustments in the shareholders' equity.

4. Significant accounting practices

The significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are the following:

a. Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities up to 90 days, subject to an insignificant risk of change in value.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and borrowings, subordinated debts and other asset and liability transactions

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a amortized basis, based on the effective rate of the transactions.

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068 under the following categories:

i. Trading securities

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjustments to fair value, recognized in statements of income.

ii. Available for sale securities

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded in profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in statements of income after the effective realization.

iii. Held-to-maturity securities

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to the statements of income. Decreases in the fair value of available for sale and held to maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in statements of income as realized losses.

According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

d. Derivative financial instruments

These are classified according to management's intention, on the transaction date, considering whether such transactions are for hedge or not.

The transactions using financial instruments of own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in statements of income.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge and are classified according to their nature:

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in the statements of income.
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.
- Net Investment Hedge of Foreign Operations - accounted for similarly to cash flow hedge, i.e. the portion of gains or losses on a hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in statements of income for the period.

e. Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, is calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final agreed value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in statements of income.

The notional amount of the agreements recorded in memorandum accounts.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

f. Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

g. Sale or transfer of financial assets with substantial retention of risks and benefits

Financial assets remain on the transferor's balance sheet when the transferor sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

h. Loans and other receivables (operations with credit characteristics)

Recorded at present value, then amortized based on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

i. Allowance for loan losses

Recognized based on an analysis of potential losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, among which:

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, Loans in default are written off against the allowance after the losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.
- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

The fair value of investment properties is determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

k. Investments

Jointly controlled and associates are accounted for under the equity method. Other investments in other non-current assets are stated at cost, less allowance for losses, when applicable.

l. Foreign currency translation

See footnote 3b.

m. Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, is amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

n. Property and equipment in use and deferred charges

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

o. Intangible assets

Intangible assets include acquired rights to the underlying assets designated to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company; (ii) for acquired rights of assets management contracts; and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

p. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, loss is recorded in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of the impairment for losses that are calculated according to the bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

q. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on accounting profits adjusted by additions and deductions according to the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution.

r. Contingent assets and liabilities, and legal, tax and social security obligations

Recognized according to the criteria described below:

i. Contingent assets

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably relevant. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions nor disclosure.

iii. Legal obligation – tax and social security

Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees involved in risk management activities are: (i) management committee, which approves policies, defines overall limits and is ultimately responsible for managing risks; (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products; (iii) Credit Risk area, which is responsible for approving new loans according to the guidelines set forth by our CRO; (iv) Market Risk area, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Area, which assesses the main operational risks for the internal policies and regulatory risks established; (vi) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering; (vii) CFO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees/areas (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk management section.

a. Operational limits

	30/09/2017	31/12/2016
Reference Shareholders' Equity	18,554,831	17,672,754
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	18,609,296	17,727,219
Tier I	16,389,632	16,216,254
Common Equity	12,307,878	11,924,484
Complementary Equity	4,082,753	4,291,770
Tier II	2,632,934	3,421,161
Reference Shareholders' Equity (PR) - (a)	19,022,566	19,637,415
Required Reference Shareholders' Equity (PRE)	10,184,250	9,571,425
Total exposure risk-weighted - (b)	110,099,996	91,156,431
Credit risk	54,329,768	55,813,608
Operational risk	4,615,858	3,385,968
Market risk	51,154,370	31,956,855
Basel ratio - (a/b)	17.3%	21.6%
Tier I capital	14.9%	17.8%
Tier II capital	2.4%	3.8%
Fixed assets ratio	50.9%	77.1%
Fixed assets to equity capital ratio	9,505,956	9,813,329
Status for fixed assets to equity capital ratio	4,835,901	7,567,019
Amount of margin (insufficiency)	4,670,054	2,246,310

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circular-Letter 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13.

The Bank has chosen the basic indicator approach to measure operational risk.

As at the period ended September 30, 2017 and year ended December 31, 2016 the Bank was in compliance with all operating limits.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

b. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one day period, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses stress test models as a complement to VaR method for its daily risk activities.

The table below contains the Bank's daily average VaR for the period ended:

In millions of R\$	September 2017	December 2016	September 2016
Daily average VaR	129.7	141.3	139.5

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

d. Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

e. Operational risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

7. Interbank investments

	30/09/2017					31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	23,832,499	23,124,960	579,197	41,469	86,873	18,810,107
Own portfolio	4,843,091	4,777,949	65,074	-	68	1,293,206
Federal government bonds	4,286,872	4,257,377	29,495	-	-	1,204,460
Corporate bonds	130,865	95,286	35,579	-	-	88,746
Foreign government bonds	425,354	425,286	-	-	68	-
Third-party portfolio	18,139,703	17,835,397	300,062	-	4,244	13,879,352
Federal government bonds	18,100,636	17,800,574	300,062	-	-	13,838,735
Corporate bonds	34,823	34,823	-	-	-	2,137
Foreign government bonds	4,244	-	-	-	4,244	38,480
Short position	849,705	511,614	214,061	41,469	82,561	3,637,549
Federal government bonds	725,675	511,614	214,061	-	-	3,544,580
Foreign government bonds	124,030	-	-	41,469	82,561	92,969
Interbank investments (*)	1,493,821	1,380,424	113,397	-	-	1,942,576
Interbank deposit certificates	513,397	400,000	113,397	-	-	530,326
Investments in foreign currency - overnight	980,424	980,424	-	-	-	1,412,250
Total	25,326,320	24,505,384	692,594	41,469	86,873	20,752,683

(*) Refers basically to interbank deposits in prime banks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

The collateral received in repurchase agreements amounts to R\$24,462,758 (December 31, 2016 - R\$19,162,823), whereas the collateral granted amounts to R\$28,631,457 (December 31, 2016 - R\$25,151,446).

8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows:

	30/09/2017							31/12/2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	12,543,555	12,733,084	2,627,193	1,840,046	1,018,722	723,685	6,523,438	13,383,987
Federal government bonds	1,278,835	1,279,758	635,811	224,895	248,935	166,113	4,004	5,273,562
Brazilian foreign debt securities	-	-	-	-	-	-	-	9,031
Debentures/Eurobonds (i)	976,011	819,440	256,212	48,566	13,940	239,915	260,807	444,582
Bank certificates of deposit	6,019	6,019	-	6,019	-	-	-	108
Investment fund quotes								
Shares	112,737	113,952	10,038	-	-	-	103,914	130,060
Multimarket	185,241	289,003	147,216	-	-	-	141,787	1,935,931
FIDC - Credit Rights	5,891	5,891	5,891	-	-	-	-	5,892
Real Estate	2,952	2,952	-	-	-	-	2,952	4,563
Equity Investment fund	637,162	655,746	108,741	-	-	-	547,005	847,758
Shares	6,226,953	6,375,969	1,235,129	966,504	381,154	-	3,793,182	3,155,508
Promissory notes	-	-	-	-	-	-	-	30,546
Certificate of real estate receivables	197,185	197,185	-	5,692	-	3,843	187,650	34,120
Other	10,596	10,320	29	586	1,659	476	7,570	14,476
Foreign government bonds	1,370,118	1,408,718	198,998	229,874	228,609	194,802	556,435	475,605
Foreign private securities	1,533,855	1,568,131	29,128	357,910	144,425	118,536	918,132	1,022,245
Unrestricted portfolio	282,678	285,171	-	130,519	58,744	50,240	45,668	185,449
Federal government bonds	282,678	285,171	-	130,519	58,744	50,240	45,668	185,449
Subject to repurchase agreements	7,143,005	7,081,315	302,903	125,992	714,398	283,035	5,654,987	7,164,293
Federal government bonds	5,125,456	5,128,904	-	11,043	218,243	106,930	4,792,688	4,961,034
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Certificate of real estate receivables	149,709	149,709	-	-	-	-	149,709	314,623
Foreign government bonds	650,455	650,455	-	-	292,258	8,555	349,642	181,874
Foreign private securities	456,818	458,674	-	69,523	44,004	40,662	304,485	460,625
Debentures / Eurobonds (i)	760,567	693,573	302,903	45,426	159,893	126,888	58,463	1,236,061
Subject to guarantees	3,455,162	3,569,926	534	32,408	1,344,713	337,596	1,854,675	4,842,169
Federal government bonds	1,670,641	1,725,474	-	8,798	1,326,087	337,596	52,993	3,968,253
Investment fund quotes								
Multimarket	296,894	296,894	-	-	-	-	296,894	244,978
Debentures / Eurobonds (i)	-	-	-	-	-	-	-	101,380
Certificate of real estate receivables	15,755	14,883	-	-	14,883	-	-	24,017
Shares	1,443,985	1,504,788	-	-	-	-	1,504,788	422,913
Bank certificates of deposit	-	-	-	-	-	-	-	64,886
Foreign private securities	27,887	27,887	534	23,610	3,743	-	-	15,742
Trading securities	16,308,621	16,778,170	2,297,181	1,707,076	1,898,925	844,889	10,030,099	18,258,886
Available for sale securities	2,697,632	2,473,179	633,449	211,480	268,625	427,520	932,105	2,378,011
Held-to-maturity securities	4,418,147	4,418,147	-	210,409	969,027	122,147	3,116,564	4,939,001
Total	23,424,400	23,669,496	2,930,630	2,128,965	3,136,577	1,394,556	14,078,768	25,575,898

(i) Substantially securities issued by Brazilian companies.

b. Trading securities

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

	30/09/2017							31/12/2016
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	10,218,413	10,564,529	2,296,647	1,463,583	724,986	300,906	5,778,407	12,684,090
Federal government bonds	751,398	752,321	635,811	14,486	54,054	43,966	4,004	5,273,562
Brazilian foreign debt securities	-	-	-	-	-	-	-	9,031
Debentures/Eurobonds	9,275	17,583	-	17,583	-	-	-	20,953
Bank certificates of deposit	6,019	6,019	-	6,019	-	-	-	108
Investment fund quotes								
Shares	112,737	113,952	10,038	-	-	-	103,914	130,060
Multimarket	185,241	289,003	147,216	-	-	-	141,787	1,935,931
FIDC - Credit Rights	5,891	5,891	5,891	-	-	-	-	5,892
Real Estate	2,952	2,952	-	-	-	-	2,952	4,563
Equity investment fund	526,199	544,783	108,741	-	-	-	436,042	717,825
Shares	6,226,953	6,375,969	1,235,129	966,504	381,154	-	3,793,182	3,155,508
Foreign government bonds	1,085,883	1,124,483	124,693	155,547	149,404	138,404	556,435	408,412
Foreign private securities	1,305,865	1,331,573	29,128	303,444	140,374	118,536	740,091	1,022,245
Unrestricted portfolio	282,678	285,171	-	130,519	58,744	50,240	45,668	185,449
Federal government bonds	282,678	285,171	-	130,519	58,744	50,240	45,668	185,449
Subject to repurchase agreements	3,142,269	3,147,573	-	80,566	559,511	156,147	2,351,349	3,038,362
Federal government bonds	2,008,892	2,012,340	-	11,043	218,243	106,930	1,676,124	2,385,787
Brazilian foreign debt securities	-	-	-	-	-	-	-	10,076
Foreign government bonds	650,455	650,455	-	-	292,258	8,555	349,642	181,874
Foreign private securities	456,818	458,674	0	695,23	44004	40662	304485	460625
Debentures / Eurobonds	26,104	26,104	-	-	5,006	-	21,098	-
Subject to guarantees	2,665,261	2,780,897	534	32,408	555,684	337,596	1,854,675	2,350,985
Federal government bonds	896,495	951,328	-	8,798	551,941	337,596	52,993	1,604,499
Investment fund quotes								
Multimarket	296,894	296,894	-	-	-	-	296,894	244,978
Shares	1,443,985	1,504,788	-	-	-	-	1,504,788	422,913
Bank certificates of deposit	-	-	-	-	-	-	-	64,886
Foreign private securities	27,887	27,887	534	23,610	3,743	-	-	13,709
Total	16,308,621	16,778,170	2,297,181	1,707,076	1,898,925	844,889	10,030,099	18,258,886

c. Available-for-sale securities

	30/09/2017							31/12/2016
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	1,797,705	1,641,118	330,546	166,054	98,855	300,632	745,031	699,897
Equity investment fund	110,963	110,963	-	-	-	-	110,963	129,933
Debentures	966,736	801,857	256,212	30,983	13,940	239,915	260,807	423,629
Certificate of real estate receivables	197,185	197,185	-	5,692	-	3,843	187,650	34,120
Promissory notes	-	-	-	-	-	-	-	30,546
Foreign government bonds	284,235	284,235	74,305	74,327	79,205	56,398	-	67,193
Foreign private securities	227,990	236,558	-	54,466	4,051	-	178,041	14,476
Other	10,596	10,320	29	586	1,659	476	7,570	-
Subject to repurchase agreements	884,172	817,178	302,903	45,426	154,887	126,888	187,074	1,550,684
Debentures	734,463	667,469	302,903	45,426	154,887	126,888	37,365	1,236,061
Certificate of real estate receivables	149,709	149,709	-	-	-	-	149,709	314,623
Subject to guarantees	15,755	14,883	-	-	14,883	-	-	127,430
Debentures	-	-	-	-	-	-	-	101,380
Certificate of real estate receivables	15,755	14,883	-	-	14,883	-	-	24,017
Promissory notes	-	-	-	-	-	-	-	2,033
Total	2,697,632	2,473,179	633,449	211,480	268,625	427,520	932,105	2,378,011

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

d. Held-to-maturity securities

	30/09/2017						31/12/2016
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	527,437	-	210,409	194,881	122,147	-	2,575,247
Federal government bonds	527,437	-	210,409	194,881	122,147	-	2,575,247
Subject to re purchase	3,116,564	-	-	-	-	3,116,564	-
Federal government bonds	3,116,564	-	-	-	-	3,116,564	-
Subject to guarantees	774,146	-	-	774,146	-	-	2,363,754
Federal government bonds	774,146	-	-	774,146	-	-	2,363,754
Total	4,418,147	-	210,409	969,027	122,147	3,116,564	4,939,001

If measured at fair value, held-to-maturity securities would be reported as at the period ended September 30, 2017 with a positive adjustment of R\$224,483 (December 31, 2016 – R\$36,279 negative).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention occurred during the period ended in September 30, 2017 and year ended December 31, 2016.

9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed through strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

Transactions conducted in Brazil are traded, registered or held in custody by B3 S.A.; transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, otherwise indicated)

As at the period ended September 30, 2017 the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the head office. As at the year ended December 31, 2016, the Bank does not have derivative financial instruments classified as hedge accounting.

	30/09/2017		
	Hedge instrument		
	Nominal value	Market (i)	Hedge assets
Net Investment Hedge of Foreign Operations (i)	10,600,483	(17,405)	5,850,239

(i) Recorded in stockholders' equity under heading asset valuation adjustments.

To hedge the changes of the exchange variation of net investments in foreign operations, the Bank uses Futures contracts, financial assets and forward contracts or NDF contracts entered into by the subsidiaries abroad.

a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular Letter 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

	30/09/2017				31/12/2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	96,969,459	49,158,653	5,125,271	151,253,383	81,712,301
Currency	4,042,713	740,355	-	4,783,068	6,766,707
Interest rate	92,784,782	48,418,298	5,125,271	146,328,351	74,840,749
Commodities	100	-	-	100	-
Equities	-	-	-	-	22
Other	141,864	-	-	141,864	104,823
Short position	18,728,725	4,151,186	3,216,969	26,096,880	18,262,714
Currency	2,818,566	-	(792)	2,817,774	70
Interest rate	14,179,811	165,430	2,595,978	16,941,219	18,070,715
Commodities	-	-	-	-	7,549
Equities	-	-	-	-	22
Other	1,730,348	3,985,756	621,783	6,337,887	184,358
Swap					
Long position	38,897,376	21,470,900	43,846,374	104,214,650	63,801,633
Currency	814,653	10,876	724,195	1,549,724	2,116,247
Interest rate	34,827,979	20,736,509	40,443,977	96,008,465	61,192,473
Index	2,243,528	346,838	2,576,201	5,166,567	246,295
Equities	30,434	376,677	6,727	413,838	63,156
Commodities	13,714	-	-	13,714	-
Federal government bonds	-	-	-	-	744
Other	967,068	-	95,274	1,062,342	182,718

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, otherwise indicated)

	30/09/2017				31/12/2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	38,897,376	21,470,900	43,846,374	104,214,650	63,801,633
Currency	2,099,774	224,390	1,475,024	3,799,188	10,766,256
Interest rate	34,597,388	19,895,022	37,498,676	91,991,086	46,826,281
Index	1,568,099	1,159,917	4,664,468	7,392,484	4,078,690
Equities	20,927	144,555	1,726	167,208	1,499
Commodities	47,418	-	-	47,418	-
Federal government bonds	-	-	-	-	744
Other	563,770	47,016	206,480	817,266	2,128,163
Credit Derivatives					
Long position	221,760	253,440	1,132,085	1,607,285	543,617
Sovereign	205,920	253,440	904,781	1,364,141	505,160
Corporate	15,840	-	227,304	243,144	38,457
Short position	-	-	-	-	93,048
Sovereign	-	-	-	-	11,570
Corporate	-	-	-	-	81,478
Non-deliverable forward - NDF					
Long position	26,607,204	4,719,456	9,386,128	40,712,788	41,500,091
Currency	22,406,878	855,592	98,204	23,360,674	20,355,769
Commodities	3,375,248	3,569,572	9,239,774	16,184,594	21,028,246
Interest rate	825,078	294,292	48,150	1,167,520	116,076
Short position	26,607,204	4,719,456	9,386,128	40,712,788	41,500,091
Currency	22,005,536	1,026,880	133,203	23,165,619	16,402,183
Commodities	3,375,248	3,569,572	9,239,774	16,184,594	21,028,246
Federal government bonds	5,131	-	-	5,131	-
Interest rate	1,221,289	123,004	13,151	1,357,444	4,069,662
Deliverable forward - DF					
Long position	12,456,414	516,649	651,295	13,624,358	11,921,236
Currency	12,456,414	516,649	651,295	13,624,358	11,921,236
Short position	12,456,414	516,649	651,295	13,624,358	11,921,236
Currency	12,456,414	516,649	651,295	13,624,358	11,921,236
Security forwards					
Long position	1,253,442	-	-	1,253,442	210,070
Interest rate	686,956	-	-	686,956	-
Government bonds	566,486	-	-	566,486	210,070
Short position	1,253,442	-	-	1,253,442	210,070
Interest rate	566,486	-	-	566,486	210,070
Government bonds	686,956	-	-	686,956	-
Options market					
Call option - long position	18,444,803	171,640	28,357	18,644,800	14,294,032
Equities	1,205,880	-	27,111	1,232,991	411,248
Corporate	-	-	1,246	1,246	-
Currency	9,125,675	171,640	-	9,297,315	7,849,901
Interest rate	-	-	-	-	5,957,476
Other	8,113,248	-	-	8,113,248	75,407
Put option - long position	34,758,021	4,842,739	18,304,416	57,905,176	24,313,372
Equities	1,082,415	-	27,111	1,109,526	878,183
Index	-	-	-	-	3,818
Corporate	-	-	384,809	384,809	-
Currency	7,303,846	170,243	-	7,474,089	7,984,634
Interest rate	11,137,000	-	13,220,000	24,357,000	15,112,500

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, otherwise indicated)

	30/09/2017				31/12/2016
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Other	15,234,760	4,672,496	4,672,496	24,579,752	334,237
Call option - short position	21,456,212	171,640	8,391	21,636,243	9,989,808
Equities	755,787	-	8,391	764,178	255,232
Currency	7,663,304	171,640	-	7,834,944	9,570,051
Interest rate	1,741,300	-	-	1,741,300	-
Other	11,295,821	-	-	11,295,821	164,525
Put option - short position	33,016,409	4,842,739	17,896,259	55,755,407	22,975,619
Equities	1,644,979	-	8,763	1,653,742	201,889
Index	-	-	-	-	4,257
Currency	4,647,287	170,243	-	4,817,530	7,072,728
Interest rate	11,132,500	-	13,215,000	24,347,500	15,106,000
Other	15,591,643	4,672,496	4,672,496	24,936,635	590,745

b. By cost and market value

	30/09/2017					31/12/2016
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	161,826	161,827	151,468	10,359	-	
Short position	117,710	117,710	117,651	-	59	-
Swaps						
Long position	1,023,441	1,284,924	296,964	142,038	845,922	942,948
Short position	1,092,892	1,324,454	223,009	136,295	965,150	1,236,207
Credit derivatives						
Long position	114,945	114,946	30,570	11,061	73,315	16,245
Short position	17,634	17,634	15,991	1,643	-	1,065
Non-deliverable forward - NDF						
Long position	2,429,619	2,439,142	1,070,513	409,504	959,125	3,498,253
Short position	2,187,308	2,227,555	774,145	545,987	907,423	1,975,584
Deliverable forward - DF						
Long position	8,270,559	8,270,560	7,498,137	467,669	304,754	5,815,375
Short position	8,252,140	8,252,140	7,481,331	467,111	303,698	5,869,432
Security forwards						
Long position	1,253,786	1,253,786	1,253,786	-	-	209,875
Short position	1,253,032	1,253,032	1,253,032	-	-	209,978
Options market						
Long position	1,072,710	1,072,710	1,002,162	15,875	54,673	1,427,627
Short position	104,324	104,324	72,923	17,068	14,333	352,611
Long position	14,326,886	14,597,895	11,303,600	1,056,506	2,237,789	11,910,323
Short position	13,025,040	13,296,849	9,938,082	1,168,104	2,190,663	9,644,877

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

c. Notional by counterparty

	30/09/2017					31/12/2016
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	148,373,092	504,297	2,375,994	-	151,253,383	81,712,301
Short position	18,040,297	1,040,926	7,015,657	-	26,096,880	18,262,714
Swap						
Long position	1,022,300	101,761,845	1,423,157	7,348	104,214,650	63,801,633
Short position	1,022,300	101,761,845	1,423,157	7,348	104,214,650	63,801,633
Credit derivatives						
Long position	-	1,607,285	-	-	1,607,285	543,617
Short position	-	-	-	-	-	93,048
Non-deliverable forward - NDF						
Long position	-	23,599,465	17,104,563	8,760	40,712,788	41,500,091
Short position	-	23,599,465	17,104,563	8,760	40,712,788	41,500,091
Deliverable forward - DF						
Long position	-	13,407,029	217,329	-	13,624,358	11,921,236
Short position	-	13,407,029	217,329	-	13,624,358	11,921,236
Security forwards						
Long position	-	1,253,442	-	-	1,253,442	210,070
Short position	-	1,253,442	-	-	1,253,442	210,070
Options market						
Long position	24,516,257	51,329,182	506,537	198,000	76,549,976	38,607,404
Short position	26,286,800	50,918,717	5,230	180,903	77,391,650	32,965,427
Long position	173,911,649	193,462,545	21,627,580	214,108	389,215,882	238,296,352
Short position	45,349,397	191,981,424	25,765,936	197,011	263,293,768	168,754,219

(i) Includes investments funds.

d. Credit derivatives

	30/09/2017	31/12/2016
Credit swap		
Transferred risk		
Sovereign	1,364,141	505,161
Corporate	243,144	38,457
Risk received		
Sovereign	-	(11,570)
Corporate	-	(81,478)
	1,607,285	450,570

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

During the period ended September 30, 2017 and year ended December 31, 2016, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at September 30, 2017 is R\$156,394 (December 31, 2016 – R\$64,237).

e. Guarantee margins

Guarantee margins in transactions traded on B3 S.A. and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$2,060,096 (December 31, 2016 – R\$4,028,663) and shares in the amount of R\$1,506,810 (December 31, 2016 – R\$422,913).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on B3 S.A., Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).
- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by B3 S.A. Fund quotas are valued based on quota prices disclosed by the custodian.
- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

10.Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	30/09/2017		31/12/2016	
	Balance	Allowance	Balance	Allowance
Loans	8,611,872	(972,480)	6,455,431	(500,124)
Financing	980,919	(58,893)	874,382	(67,174)
FINAME/BNDES	2,786,349	(13,789)	2,643,849	(13,018)
Securities financing	118,464	-	107,164	-
Transferred loans with co-obligations (i)	485,217	-	12,848	-
Total	12,982,821	(1,045,162)	10,093,674	(580,316)

(i) Refers to transferred loans as collateral, related to repurchase agreements.

ii. By risk level and maturity

Risk level	30/09/2017					31/12/2016		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	8,291	1,449,238	209,924	2,634,249	4,301,702	-	2,711,793	-
A	878	395,594	182,698	3,103,608	3,682,778	(19,716)	3,189,097	(15,450)
B	11,777	85,821	440,288	596,249	1,134,135	(11,341)	1,144,936	(11,326)
C	545	899,877	44,276	310,257	1,254,955	(50,079)	1,181,838	(49,535)
D	8,026	160,924	177,393	1,285,325	1,631,668	(207,264)	1,165,941	(156,310)
E	39,165	3,098	2,046	16,729	61,038	(24,933)	496,730	(190,354)
F	422,678	5,022	4,722	14,081	446,503	(262,740)	89,915	(48,324)
G	3,178	-	-	-	3,178	(2,225)	14,694	(10,287)
H	409,236	33,036	24,592	-	466,864	(466,864)	98,730	(98,730)
Total	903,774	3,032,610	1,085,939	7,960,498	12,982,821	(1,045,162)	10,093,674	(580,316)

iii. By activity sector

Sector	30/09/2017	31/12/2016
Commerce	991,664	234,416
Industry	447,729	331,499
Services	9,982,530	8,486,428
Rural	226,325	186,410
Individuals	1,334,573	854,921
Total	12,982,821	10,093,674

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, otherwise indicated)

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	30/09/2017					31/12/2016		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	17,270	-	-	17,270	-	277	-
C	-	-	-	50,849	50,849	(1,495)	83,612	(2,547)
D	-	-	-	-	-	-	44,776	(4,473)
F	-	-	-	22,004	22,004	(11,002)	-	-
H	-	-	-	-	-	-	362	(362)
Total	-	17,270	-	72,853	90,123	(12,497)	129,027	(7,382)
Securities and credits receivable (note 12(b))					90,123	(12,497)	129,027	(7,382)

ii. By activity sector

Sector	30/09/2017	31/12/2016
Industry	-	362
Services	90,123	128,665
Total	90,123	129,027

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	30/09/2017					31/12/2016		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	33,257	21,774	-	55,031	-	64,494	-
A	-	-	-	-	-	-	16,331	(82)
C	-	95,022	65,383	-	160,405	(4,891)	48,182	(1,473)
D	-	-	-	-	-	-	67,113	(8,380)
E	2,871	5,155	3,804	-	11,830	(3,550)	-	-
H	30,069	-	-	-	30,069	(30,069)	20,886	(20,886)
Total	32,940	133,434	90,961	-	257,335	(38,510)	217,006	(30,821)

ii. By activity sector

Sector	30/09/2017	31/12/2016
Industry	194,853	122,608
Services	62,482	94,398
Total	257,335	217,006

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

d. Credit concentration

	30/09/2017	%	31/12/2016	%
Largest debtors				
10 largest debtors	6,819,122	51%	5,535,513	53%
20 following largest debtors	2,339,384	18%	1,782,333	17%
50 following largest debtors	1,985,282	15%	1,632,127	16%
100 following largest debtors	1,485,526	11%	1,115,806	11%
200 following largest debtors	644,627	5%	351,508	3%
500 following largest debtors	46,624	0%	21,488	0%
Above 500 following largest debtors	9,714	0%	932	0%
Total	13,330,279	100%	10,439,707	100%

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Opening balances	(1,320,759)	(1,300,511)	(835,069)	(2,288,630)
Reversal/(accrual) of allowance	(31,388)	1,159	(206,640)	(41,988)
Allowance from acquired / sale entity	-	401,703	-	402,913
Renegotiation/recovery of credits written off to loss	(32,622)	-	(401,706)	-
Allowance for guarantee	(43,727)	-	(51,690)	-
Exchange rate variation	(779)	70,053	12,549	372,308
Credits written off as loss	83,004	46,912	136,285	774,713
Closing balances	(1,346,271)	(780,684)	(1,346,271)	(780,684)
Breakdown of closing balances				
Allowance for loan losses	(1,045,162)	(554,116)	(1,045,162)	(554,116)
Allowance for other receivables (Note 10 (b))	(12,497)	(6,718)	(12,497)	(6,718)
Allowance for advances on foreign exchange contracts (Note 10 (c))	(38,510)	(28,247)	(38,510)	(28,247)
Allowance for guarantees (Note 16)	(250,102)	(191,603)	(250,102)	(191,603)
	(1,346,271)	(780,684)	(1,346,271)	(780,684)

f. Renegotiation/recovery of credits written off as loss

As at September 30, 2017, the amount of R\$1,703,374 were due to credit renegotiation (December 31, 2016 – R\$1,230,379). Also in the period ended September 30, 2017 there were R\$136,952 written off loans recovered (December 31, 2016 – R\$50,605).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

11. Other receivables/obligations

a. Foreign Exchange portfolio

	30/09/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange contracts	2,847,887	2,674,069	3,914,364	10,531,068
Rights on foreign exchange sales	2,694,836	-	10,781,197	-
(-) Advances on foreign exchange contracts	3,068	(254,267)	1,498	(215,508)
(-) Advances in foreign currency received	(1,540)	-	(326)	-
(-) Advances in local currency received	(586)	-	(1,280)	-
Liability for foreign exchange purchase	-	2,974,416	-	4,026,204
Total	<u>5,543,665</u>	<u>5,394,218</u>	<u>14,695,453</u>	<u>14,341,764</u>
Current	5,543,665	5,394,218	14,695,453	14,341,764

Guarantees for foreign exchange transactions carried out through B3 S.A., are represented by federal government bonds in the amount of R\$3,020 (December 31, 2016 - R\$390,593).

b. Securities trading and brokerage

	30/09/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	953,739	1,168,113	868,149	392,195
Unsettled financial assets / liabilities	5,215	1,079	8,624	13,476
Pending settlement	4,898,220	3,193,803	1,875,932	1,320,974
Creditors for stock loans	-	661,303	-	1,276,467
Other securities trading and brokerage	-	158	-	469
Commissions and brokerage payable	156,712	2,356,735	38,105	1,098,377
Swap brokerage	127	-	113	-
Total	<u>6,014,013</u>	<u>7,381,191</u>	<u>2,790,923</u>	<u>4,101,958</u>
Current	6,014,013	7,381,191	2,790,923	4,101,958

“Pending settlement” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at B3 S.A., and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties, on the regular term.

“Other securities trading and brokerage” basically represents, in assets, intermediation transactions from time deposits to be settled, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled, on the regular term.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

12. Other receivables

a. Income receivable

	30/09/2017	31/12/2016
Dividends and bonus	19,564	17,493
Receivables from services rendered	85,115	80,647
Rights on energy sales	1,347,005	455,647
Management and performance fees for investment funds and portfolio	284,543	290,405
Distribution fees	4,048	3,105
Commissions on guarantees	25,154	13,908
Total	1,765,429	861,205
Current	1,699,991	668,728
Long-term	65,438	192,477

b. Sundry

	30/09/2017	31/12/2016
Deferred tax assets - income and social contribution (note 18)	4,120,199	4,463,246
Deferred tax assets - Others	111,621	97,360
Sundry (i)	2,976,600	3,315,871
Held for sale (ii)	3,282,558	1,781,685
Judicial deposits	1,503,825	1,739,441
Taxes recoverable to offset	2,799,630	711,826
Securities and credits receivable		
With loan characteristics (note 10 b)	90,123	129,027
Without loan characteristics (iii)	613,724	548,358
Investment properties	754,153	780,447
Salaries advances	37,722	19,829
Advance to suppliers	428,011	514,152
Other	43,653	15,813
Total	16,761,819	14,117,055
Current	10,220,861	5,149,017
Long-term	6,540,958	8,968,038

(i) Includes receivables from sale of investmets.

(ii) On September 30, 2017, refers to an investment transferred, with sale expected to occur on the short term.

(iii) On September 30, 2017, the line above has allowance losses of R\$166,978 (December 31, 2016 – R\$75,270), registered in “Other receivables - Allowance for losses in other receivables”.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities					
	Shareholders' Equity		Net income (loss)			
	30/09/2017	31/12/2016	Quarter ended:		Nine-month period	
			30/09/2017	30/09/2016	30/09/2017	30/09/2016
In Brazil						
Banco Pan S.A.	3,522,413	3,412,162	111,270	(12,967)	157,733	
Warehouse 1 Empreendimentos Imobiliários S.A.	34,927	29,758	28	34,308	5,173	
Max Casa XIX Empreendimentos Imobiliários S.A.	1,659	2,679	(70)	(3,271)	(21)	
ACS Omicron Empreendimentos Imobiliários S.A.	7,296	5,705	84	105	1,590	
Pan Seguros S.A.	651,178	650,611	7,131	(37,937)	21,846	
Pan Corretora S.A.	60,159	67,612	2,163	1,679	8,564	
Abroad						
BTG Pactual Holding S.A.R.L.	-	4,373,293	-	260,883	-	
Maybroke Holding S.A.	-	984,727	-	(7,252)	-	
Engelhart CTP Group S.A.	2,495,865	4,565,815	(238,700)	(186,778)	(483,180)	
EFG International (i)	7,146,953	6,411,200	-	-	71,107	

(i) EFG International preliminary information, determined on sale date of BSI, as described on note 2.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
September 30, 2017
(In thousands of reais, otherwise indicated)

		Changes in investments				
	31/12/2016	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Fair value adjustment	Exchange variation	Equity earnings subsidiaries
In Brazil						
Banco Pan S.A.	1,283,326	-	(19,491)	922	-	63
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-	-
Warehouse 1 Empreendimentos Imobs S.A.	10,414	-	-	-	-	1
Max Casa XIX Empreendimentos Imobs S.A.	1,340	-	(500)	-	-	-
ACS Omicron Empreendimentos Imobs S.A.	2,553	-	-	-	-	-
BTG Pactual Vivere Participações S.A.	-	-	-	-	-	-
Pan Corretora S.A.	34,482	-	(8,168)	-	-	4
Pan Seguros S.A.	331,808	-	(11,498)	646	-	11
Other	6,018	(348)	-	-	-	(
Total	1,613,057	(348)	(39,657)	1,568	-	80
Abroad						
BTG Pactual Holding S.A.R.L. (i)	1,749,318	(1,696,276)	(164,554)	-	32,519	78
Maybroke Holding S.A. (i)	494,809	(485,733)	-	-	(20,798)	11
Engelhart CTP Group S.A. (ii)	1,372,257	(805,744)	-	-	(30,619)	(70
EFG International (ii) (iii)	1,923,361	69,206	(69,904)	51,425	38,111	19
Goodwill - EFG International (ii)	999,339	236,819	-	-	3,982	(78
Other non-consolidated BSI entities	-	-	-	-	-	-
	6,539,084	(2,681,728)	(234,458)	51,425	23,195	(39
Total	8,152,141	(2,682,076)	(274,115)	52,993	23,195	41

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to the exchange rate variation.

(ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities.

(iii) It was not possible to determine the amount related to the equity pick-up in the Company's investment in EFG during the period ended September 30, 2017. BTG Pactual will recognize the results of its participation in the investee periodically, at least every six months, whenever the information is publicly disclosed by the company.

14. Intangible assets

	31/12/2016	Changes in Intangible assets				30/09/2017
		Acquisitions / Transfer	Write off	Amortization expenses	Exchange variation	
Goodwill	192,285	-	(1,252)	(143,202)	3,246	51,077
Cost	963,916	-	(1,252)	-	18,643	981,307
Amortization	(771,631)	-	-	(143,202)	(15,397)	(930,230)
Other intangible assets	174,450	91,520	(51,248)	(31,401)	(3,112)	180,209
Cost	336,540	91,520	(34)	-	(2,333)	425,693
Amortization	(162,090)	-	(51,214)	(31,401)	(779)	(245,484)
Total	366,735	91,520	(52,500)	(174,603)	134	231,286

The intangible assets amortization period is 5 years.

15. Fund raising and loans and borrowings

a. Summary

	30/09/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	8,322,736	5,542,689	1,750,191	262,197	767,659	-	7,690,817
Open market funding	27,635,667	24,736,942	1,002,418	1,387,566	15,577	493,164	24,903,973
Funds from securities issued and accepted	7,964,672	745,668	1,938,329	3,541,387	1,021,049	718,239	10,335,702
Loans and borrowings	4,104,938	1,002,052	267,904	351,806	161,359	2,321,817	3,544,822
Subordinated debts and subordinated debt eligible to equity	10,826,436	636,631	636,631	2,821,305	2,609,497	4,122,372	11,588,192
Total	58,854,449	32,663,982	5,595,473	8,364,261	4,575,141	7,655,592	58,063,506

b. Deposits

	30/09/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	290,480	290,480	-	-	-	-	128,552
Interbank deposits	227,304	97,905	96,839	32,560	-	-	226,135
Time deposits (i)	7,804,952	5,154,304	1,653,352	229,637	767,659	-	7,336,130
Total	8,322,736	5,542,689	1,750,191	262,197	767,659	-	7,690,817

(i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. The deposits were indexed to interest referenced rates (CDI) between 100% p.a and 120% p.a.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

On December 4, 2015 a Memorandum of Understanding with the Fundo Garantidor de Créditos – FGC was executed to extend a credit line up to the amount of R\$6.0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personal guarantee by the controlling shareholders (Top Seven Partners); such collateral represent 120% of the credit line. On October 19, 2016, the financial assistance line obtained from FGC, had been fully paid.

c. Open market funding

Open market funding has collateral on the following securities:

	30/09/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	7,596,936	6,135,977	677,290	387,602	15,577	380,490	7,793,086
Federal government bonds	4,959,723	4,959,723	-	-	-	-	4,954,568
Corporate securities	1,582,802	862,636	677,290	42,876	-	-	2,694,044
Foreign government bonds	1,054,411	313,618	-	344,726	15,577	380,490	144,474
Third-party portfolio	18,270,694	18,190,097	80,597	-	-	-	12,967,472
Federal government bonds	18,135,131	18,135,131	-	-	-	-	12,894,050
Corporate bonds	124,680	44,083	80,597	-	-	-	50,747
Foreign government bonds	10,883	10,883	-	-	-	-	22,675
Unrestricted portfolio (i)	1,768,037	410,868	244,531	999,964	-	112,674	4,143,415
Federal government bonds	1,768,037	410,868	244,531	999,964	-	112,674	4,054,539
Foreign government bonds	-	-	-	-	-	-	88,876
Total	27,635,667	24,736,942	1,002,418	1,387,566	15,577	493,164	24,903,973

(i) From the unrestricted portfolio, R\$1,015,453 (December 31, 2016 – R\$3,730,531) refers to short position and R\$752,584 (December 31, 2016 – R\$412,884) to third-party portfolio.

d. Funds from securities issued and accepted

	30/09/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	5,819,595	681,210	1,901,269	2,113,475	1,009,182	114,459	7,841,631
Financial bills	4,313,393	523,733	1,008,367	1,666,608	1,000,226	114,459	6,865,263
Mortgage bonds/letters of credit for agribusiness	1,444,519	149,598	870,434	415,531	8,956	-	964,695
Certificates of structured transactions	61,683	7,879	22,468	31,336	-	-	11,673
Securities – abroad	2,145,077	64,458	37,060	1,427,912	11,867	603,780	2,494,071
Medium term notes (i)	1,967,422	43,691	12,885	1,324,690	-	586,156	2,351,264
Fixed rate notes and others	177,655	20,767	24,175	103,222	11,867	17,624	142,807
Total	7,964,672	745,668	1,938,329	3,541,387	1,021,049	718,239	10,335,702

(i) During the period ended September 30, 2017, gains in the amount of R\$3,008 (December 31, 2016 – R\$203,764) were recognized by the Bank, as a result of notes acquired below par.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

As at September 30, 2017, securities in Brazil were basically indexed o interest referenced rates (CDI) between 87% and 115% or inflation indexes (IPCA and IGPM) plus 1.3% p.a. to 8.4% p.a. (December 31, 2016 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a.).

On September 30, 2017, securities abroad have rates between 1.2% p.a. and 8.1% p.a. (December 31, 2016 – between 1.45% p.a. and 8% p.a.).

e. Loans and borrowings

	30/09/2017						31/12/2016
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	1,229,606	956,742	76,056	196,808	-	-	768,480
Foreign currency	173,452	97,396	76,056	-	-	-	63,552
Loans abroad	1,056,154	859,346	-	196,808	-	-	704,928
Loans - Brazil	152,049	-	152,049	-	-	-	163,771
Loans	152,049	-	152,049	-	-	-	163,771
Borrowings in Brazil	2,723,283	45,310	39,799	154,998	161,359	2,321,817	2,612,571
FINAME/BNDES	2,723,283	45,310	39,799	154,998	161,359	2,321,817	2,612,571
Total	4,104,938	1,002,052	267,904	351,806	161,359	2,321,817	3,544,822

On September 30, 2017, securities abroad have rates between 0.16% p.a. and 8.54% p.a. (December 31, 2016 – between 0.25 p.a. and 6.4% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	30/09/2017					31/12/2016
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	5,367,056	5,842,192
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,354,578	1,440,798
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	September 2019	8.75%	4,104,802	4,305,202
Total					10,826,436	11,588,192

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) During the period ended September 30, 2017, gains in the amount of R\$374 (December 31, 2016 – R\$43,619) were recognized by the Bank, as a result of own notes acquired below par.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

16. Other obligations

a. Social and statutory

	30/09/2017	31/12/2016
Dividends and profit sharing payable	11,479	894,208
Employees' profit sharing	420,099	307,640
Other benefits	37,791	255,705
Total	469,369	1,457,553
Current	469,369	1,457,553
Long term	-	-

b. Tax and social security

	30/09/2017	31/12/2016
Tax and contributions to be collected	113,941	282,360
Tax and contribution payable (i)	2,472,454	98,144
Deferred social contribution and income tax (Note 18)	123,680	78,535
Deferred PIS and COFINS	34	5,429
Total	2,710,109	464,468
Current	2,587,864	326,911
Long term	122,245	137,557

(i) During the quarter ended September 30, 2017, in order to resolve tax disputes related to the administrative proceeding that deals with the tax amortization of goodwill arising from the acquisition of the then named Banco Pactual S.A. by UBS AG in 2006 (as described in Note 17), the Bank joined the Special Tax Regularization Program ("PERT"), pursuant to Executive Decree 783, of May 31, 2017 and Executive Decree 798, of August 31, 2017.

Pursuant to the terms of the agreements related to the Acquisition and the Private Placement agreement of 2010, the financial costs of said adherence to PERT will be borne by UBS AG and BTG Pactual Holding S.A., respectively, as approved by the Meeting of BTG Pactual's Board of Directors, and there will be no financial impact on the Bank.

c. Sundry

	30/09/2017	31/12/2016
Payable for acquisition of assets and rights (i)	1,176,076	1,084,923
Accounts payable - personnel	184,561	183,765
Provision for contingent liabilities (Note 17(c))	2,026,383	2,066,244
Other creditors - Brazil	2,886,564	1,809,643
Other creditors - Abroad	15,239	192,482
Allowance for guarantees (Note 10(e))	250,102	216,404
Obligations related to transferred loans	6,318	15,321
Other	878	42,623
Total	6,546,121	5,611,405
Current	1,082,843	1,830,505
Long term	5,463,278	3,780,900

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

17. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at September 30, 2017 and December 31, 2016, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are recorded based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counselors and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at September 30, 2017 are appropriate to cover probable losses arising therefrom.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

The provisions recognized and their changes are as follows for the period ended September 30:

	30/09/2017				30/09/2016
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	1,623,739	407,496	35,009	2,066,244	2,355,783
Recognition	85,496	53,815	15,647	154,958	724,724
Write-off	(25,045)	(166,395)	(3,379)	(194,819)	(934,111)
Balance at the end of the period	1,684,190	294,916	47,277	2,026,383	2,146,396
Other contingencies and Provision for contingent liabilities (Note 16 (c))				2,026,383	2,146,396

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

BTG Pactual Group has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a probable loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

COFINS ("Social security financing tax") - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSLL ("Social contribution tax") - Challenge of CSLL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at September 30, 2017, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$899 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of B3 S.A., challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$21 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

- In October 2012, we received a tax assessment, which in September 30, 2017 totaled R\$2,439 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. On August 31, 2017 the Bank adhered to the Tax regularization program – PERT, and 20% of the debt is being paid in cash in 5 installments and the remaining 80% will be settled with deferred tax assets, including off-balance amounts and deferred tax asset acquired below nominal value, see note 16.b. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,919 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter

ii. Provision for other contingent liabilities

As at September 30, 2017 and December 31, 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Income tax and social contribution				
Tax base	(729,035)	677,032	(106,900)	3,379,218
Income before taxes and profit sharing	(514,034)	502,527	982,975	4,435,275
Statutory profit sharing	(215,001)	174,505	(466,099)	(556,057)
Interest on equity	-	-	(623,776)	(500,000)
Total charge of income tax and social contribution at the current rates	336,481	(377,642)	52,076	(1,593,674)
Permanent (additions) / deductions in taxation calculation	(147,123)	501,717	(89,792)	(31,455)
Equity pick up in associated and jointly controlled companies in Brazil	(205,429)	(230,414)	(13,593)	147,663
Income/(loss) of foreign exchange on foreign investments	(127,212)	66,085	(127,212)	(633,989)
Interest on equity	15,929	-	15,929	-
Foreign earnings	125,956	105,601	-	388,777

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Dividends	(14,305)	2,357	-	56,027
Foreign Investment hedge/overhedge	(8,212)	-	(8,212)	-
Other Permanent (additions) / deductions	66,150	558,088	43,296	10,067
Temporary (additions) / deductions on the taxation calculation	168,671	472,154	620,180	1,607,294
Reversal of provision for goodwill on the acquisition of investments	4,210	34,031	12,635	102,091
Interest on equity	283,500	225,000	400,500	-
Fair value of securities and derivatives	143,808	255,460	487,552	1,680,215
Allowance for loan losses	(57,983)	(959)	(107,576)	(62,444)
Tax contingencies and provision for suspended-payment taxes	(1,608)	(243)	1,095	(453)
Interest on Special Tax Regularization Program	(427,939)	-	(427,939)	-
Special Tax Regularization Program	314,519	-	314,519	-
Other provisions	(89,836)	(41,135)	(60,606)	(112,115)
Offset of tax losses carry forward - Brazil	(14,710)	(372,594)	(534,588)	(349,933)
Tax and social contribution expense	343,319	#REF!	47,876	#REF!
Temporary differences				
Recognition / (reversal) of the quarter / period	(275,867)	(472,876)	(726,242)	(1,607,572)
Recognition on goodwill on investments	-	523,779	-	523,779
Interest on equity	135,052	-	135,052	-
Recognition / (reversal) of tax losses carry forward	(362,764)	115,336	201,047	327,093
Recognition on foreign companies tax losses carry forward	(57,902)	196,123	240,905	15,832
Recognition / (reversal) of loss on investment abroad	530,733	(127,000)	530,733	(47,110)
Recognition of Special Tax Regularization Program	917,988	-	917,988	-
Other temporary differences	140	(453,569)	(146,718)	(42,928)
Expenses from deferred taxes	887,380	(218,207)	1,152,765	(830,906)
Total revenues / (expenses)	1,230,699	#REF!	1,200,641	#REF!

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	31/12/2016	Recognition	Realization (i)	30/09/2017
Tax loss	1,380,635	722,362	(836,729)	1,266,268
Interest on equity	400,500	52	(265,500)	135,052
Allowance for loan losses	878,723	2,335	(140,727)	740,331
Fair value of securities and derivatives	1,372,210	295,017	(587,186)	1,080,041
Goodwill on the acquisition of investment	16,847	2	(12,637)	4,212
Tax contingencies and provision for suspended-payment taxes	187,143	-	(1,095)	186,048
Deferred income tax of Special Tax Regularization Program	-	427,939	-	427,939
Other temporary differences	226,853	89,240	(35,923)	280,170
	4,462,911	1,536,947	(1,879,797)	4,120,061
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	335	(197)	-	138
Total	4,463,246	1,536,750	(1,879,797)	4,120,199

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

Income tax and social contribution	31/12/2015	Recognition	Realization (i)	30/09/2016
Tax loss carryforwards	827,919	931,590	(163,947)	1,595,562
Interest on equity	-	112,500	-	112,500
Allowance for loan losses	837,220	175,007	(147,030)	865,197
Fair value of securities and derivatives	3,042,574	15,223,700	(16,949,901)	1,316,373
Goodwill on the acquisition of investment	150,228	-	(102,090)	48,138
Tax contingencies and provision for suspended-payment taxes	183,844	4,185	-	188,029
Other temporary differences	572,337	231,457	(70,807)	732,987
	<u>5,614,122</u>	<u>16,678,439</u>	<u>(17,433,775)</u>	<u>4,858,786</u>
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(13,710)	335
Others	107,160	-	(107,160)	-
Total	<u>5,735,327</u>	<u>16,678,439</u>	<u>(17,554,645)</u>	<u>4,859,121</u>

(i) On September 30, 2017, the amount of R\$129,812 (December 31, 2016 – R\$388,700), refers to recovery paid taxes from investments abroad.

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2017	636,228	239,286	875,514
2018	1,483,285	266,237	1,749,522
2019	125,234	621,113	746,347
2020	124,020	103,247	227,267
2021 onwards	485,164	36,385	521,549
Total	<u>2,853,931</u>	<u>1,266,268</u>	<u>4,120,199</u>
Present value	<u>2,483,984</u>	<u>1,103,403</u>	<u>3,587,387</u>

Deferred income tax and social contribution liabilities amounts to R\$123,680 (December 31, 2016 - R\$78,535), according to note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

19.Shareholders equity

a. Capital

As at September 30, 2017, fully subscribed and paid in capital consists of 2,681,601,772 shares (December 31, 2016 – 2,778,465,411), of which 1,746,065,322 common shares (December 31, 2016 – 1,778,353,202), 486,180,110 class A preferred shares (December 31, 2016 – 550,755,870), 449,356,340 class B preferred shares (December 31, 2016 – 449,356,339), registered shares.

At Meeting of BTG Pactual's Board of Directors on September 29, 2017, was approved capital increase, in the amount of R\$171,567, with issuance of 1 class B preferred shares, both nominative and without par value. The capital increase is under approval.

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

The Class A Preferred Shares shall have the right to be included in acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Bank's Shareholders' Agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

b. Treasury shares

During the period ended September 30, 2017, the Bank bought own units, in connection with the approved repurchase program, in the amount of R\$396,914 (December 31, 2016 - R\$593,285), equivalent to 26,390,980 units (December 31, 2016 – 45,827,708). On the period ended September 30, 2017, there were R\$467,748 , equivalent to 32,287,880 units cancelled (December 31, 2016 – 39,930,808 units, in the amount of R\$654,845).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

c. Special earnings reserve

The purpose of this reserve is accrued interest on equity, in the amount of R\$300,000, declared after semester ended on June 30, 2017.

d. Legal reserve

This reserve is established at the rate of 5% of net income for the year, before any other allocation, limited to 20% of capital.

e. Statutory reserve

According to the Bank's by laws, the purpose of this reserve is to maintain working capital and is limited to the balance of capital.

f. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

g. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income adjusted in accordance with Article 202 of Law 6404/76.

As at June 30, 2017 the Bank has accrued R\$630,000 (June 30, 2016 - R\$500,000), relating to interest on equity, equivalent to R\$0.23 (June 30, 2016 - R\$0.19) per share, which generated R\$283,500 (June 30, 2017 - R\$225,000) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2017, and the payment occurred on August 1, 2017.

As at December 29, 2016 the Bank has accrued R\$890,000, relating to interest on equity, equivalent to R\$0.32 per share, which generated R\$400,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 29, 2016, and the payment occurred on January 12, 2017.

h. Reconciliation of net income and shareholders equity

	Shareholders' equity		Net income			
			Quarter ended:		Nine-month period ended:	
	30/09/2017	31/12/2016	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Banco BTG Pactual S.A.	18,554,831	17,672,754	709,198	717,079	1,706,079	2,728,798
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of						
Banco Pan S.A.(i)	54,465	54,465	-	-	-	-
Others (ii)	-	-	(208,339)	-	17,405	-
Banco BTG Pactual S.A. Consolidated	<u>18,609,296</u>	<u>17,727,219</u>	<u>500,859</u>	<u>717,079</u>	<u>1,723,484</u>	<u>2,728,798</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

- (i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.
- (ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

20. Income from services rendered

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Management and performance fee from investment funds and portfolios	99,885	309,259	366,609	976,180
Brokerage	41,676	137,426	117,152	437,396
Professional services	63,740	242,214	269,427	593,562
Commission over securities placement	40,263	29,637	130,081	88,693
Guarantees	61,399	55,080	185,387	169,533
Other services	3,256	53,440	11,637	62,367
Total	<u>310,219</u>	<u>827,056</u>	<u>1,080,293</u>	<u>2,327,731</u>

21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Recovery of charges and expenses	3,145	5,904	8,947	8,888
Reversal of provision - other	-	2,902	947	2,902
Reversal of provision - contingencies	25,426	28,607	165,641	224,663
Monetary correction over judicial deposits	55,133	9,832	122,782	198,883
Foreign exchange rate gains	33,716	85,949	175,811	201,159
Warehousing revenues	-	30,143	-	84,996
Adjustment of amounts receivable for acquisition of investments	42,617	57,770	120,098	186,368
Other operating income	5,096	36,079	50,240	34,327
Total	<u>165,133</u>	<u>257,186</u>	<u>644,466</u>	<u>942,186</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Tax restatement expense	63,059	21,129	111,920	71,150
Foreign exchange rate losses	(16,427)	(4,993)	155,376	377,262
Monetary restatement expense	37	1,776	37	5,041
Adjustment of amounts payable for acquisition of investments (i)	30,114	(4,044)	102,402	102,523
Fair value of assets	(2,092)	-	63,687	-
Goodwill amortization (ii)	61,331	43,518	143,202	126,815
Discounts granted in credit renegotiation	22	13,362	840	28,727
Allowance for other receivables without loan characteristics	20,303	14,064	38,186	120,267
Allowance for guarantee	43,727	-	51,690	-
Net expenses of physical commodities	-	133,912	-	233,671
Other	24,279	8,596	55,325	27,595
Total	<u>224,353</u>	<u>227,320</u>	<u>722,665</u>	<u>1,093,051</u>

(i) Mainly due to the acquisition of Banco Pan S.A. and Banco Sistema S.A..

(ii) Mainly due to the of Celfin goodwill amortization.

23. Other administrative expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Outsourced services and consulting	100,063	322,800	284,237	811,876
Telecommunications and data processing	58,660	103,838	166,613	321,625
Special Tax Regularization Program	1,632,357	-	1,632,357	-
Leases and condominiums	23,474	47,931	68,243	143,946
Travel and lodging	9,161	18,562	28,978	51,395
Expenses of the financial system	34,246	114,043	101,087	287,494
Advertising and public relations	10,878	14,097	35,090	46,076
Depreciation and amortization	17,379	60,101	49,795	210,344
Other	23,523	20,767	69,727	51,358
Total	<u>1,909,741</u>	<u>702,139</u>	<u>2,436,127</u>	<u>1,924,114</u>

24. Non-operating expenses / income

Refers basically to the losses/gains from sale of investments or adjustments arising from receivables from investments, as described on note 2.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

25.Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

	Parent company (i)		Subsidiaries and joint controlled entities		Total	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Assets						
Open market investments	-	-	1,000,104	527,100	1,000,104	527,100
Interbank investments deposits	-	-	400,046	435,000	400,046	435,000
Securities	-	-	295,764	237,547	295,764	237,547
Derivative financial instruments	-	8,275	127,596	3,658	127,596	11,933
Loans and Receivables	2,251,637	987,295	-	971,297	2,251,637	1,958,592
Sundry	-	564,500	11,580	-	11,580	564,500
Liabilities						
Interbank deposits	(117,117)	(58)	(69,087)	-	(186,204)	(58)
Time deposits	(136,035)	(108,658)	-	(7,747)	(136,035)	(116,405)
Demand deposits	-	-	-	-	-	-
Open market funding	-	-	-	-	-	-
Securities issued abroad	-	-	(1,602,562)	(1,723,067)	(1,602,562)	(1,723,067)
Derivative financial instruments	-	(483)	-	(13,399)	-	(13,882)
Sundry	-	-	(61,894)	(3,658)	(61,894)	(3,658)
	Parent company		Subsidiaries and joint controlled entities		Total	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Statements of income						
Financial income	-	-	361,644	164,101	361,644	164,101
Financial expenses	(213)	(256)	(84,363)	(764,648)	(84,576)	(764,904)
Other operating income	-	-	-	2,741	-	2,741

(i) Includes natural person.

Total compensation paid to key management personnel totaling this period R\$23,128 (September 30, 2016 – R\$4,065) which is considered short term benefit.

26.Other information

a. Cash and cash equivalents

Balances at beginning of the period	31/12/2016	31/12/2015
	674,114	20,490,900
Cash and cash equivalents	11,360,730	9,073,969
Open market investments	1,938,904	8,864,471
Interbank deposits	13,973,748	38,429,340
Total		
Balances of end of the period	30/09/2017	30/09/2016
	837,074	572,180
Cash and cash equivalents	20,666,050	13,204,315
Open market investments	1,380,424	1,272,103
Interbank deposits	22,883,548	15,048,598
Total		

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

b. Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

	30/09/2017	31/12/2016
Co-obligation and risks for guarantees granted	27,795,646	35,969,487
Responsibility for the management of futures and investment portfolio (i)	158,671,087	160,360,167
Securities	31,317,023	33,533,341
Securities under custody	1,096,358,073	1,117,738,333
Securities trading and brokerage	1,862,923,385	1,324,544,222
Loans contract to release	1,052,209	297,675
Commitments to be released	14,700	47,700

(i) Recognized by the sum of the equity values of funds and investment portfolios

"Co-obligations and risks for guarantees granted" mainly comprises guarantees granted or assets allocated to exchange trading securities.

"Securities under custody" reflects third-party public and private security positions under custody with SELIC and B3 S.A.

"Securities trading and brokerage" represents amounts from derivatives purchase and sale agreements related to third-party transactions.

"Loans contracted to release" register amounts related to loans contracted with clients to release.

The item "Commitments to be released" registers amounts related to the financial commitments of the Bank with its investees.

27.Subsequent events

The capital increase in the amount of R\$171,567, approved at a meeting of the Bank's Board of Directors held on September 29, 2017, as described in note 19, was approved by the Central Bank of Brazil on November 6, 2017.

On November 2017, Banco Pan S.A. 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 S.A.

The Bank will cancel a total amount equivalent to US\$300 million in Senior 2020 bonds and US\$350 million in Tier II Subordinated 2022 bonds which have been acquired since 2015. Further, on October 2017, Banco received an authorization from Brazilian Central Bank to repurchase no later than December 1st 2017 up to US\$390 million of its perpetual bond - TIER 1 Capital.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

September 30, 2017

(In thousands of reais, except otherwise indicated)

On October 31, 2017, BW Properties S.A., through its subsidiary BW1 Morumbi Empreendimento Imobiliário Ltda., concluded the sale of the remaining portion of the WT Morumbi project for a total amount of R\$ 231.8 million. No relevant effects are expected for the Bank as a result of such transaction.

On October 27, 2017, the Bank approved the merger of Thor Comercializadora de Energia S.A., a company whose main activity is the sale of energy, and BTG Pactual Serviços Energéticos Ltda, a company that provides financial administrative services involving the sale of energy. The completion of the transaction is subject to regulatory approvals.

On October 5, 2017, the Bank acquired Novaportfólio, a company that holds certain NPL assets of Banco BVA in connection with its extrajudicial liquidation, for a consideration of R\$211 million.

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

December 31, 2016

With independent auditors' report on consolidated financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2016

Contents

Independent auditors' report on consolidated financial statements	F-60
Consolidated balance sheets.....	F-66
Consolidated statements of income	F-68
Statements of changes in shareholders' equity – Parent company.....	F-69
Consolidated statements of cash flows.....	F-70
Consolidated statements of value added.....	F-71
Notes to the consolidated financial statements	F-72

A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Banco BTG Pactual S.A.

Opinion

We have audited the consolidated financial statements of Banco BTG Pactual S.A. (Bank), which comprise the balance sheet as of December 31, 2016, and the statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the Bank and its subsidiaries in accordance with the relevant ethical principles of the Code of Professional Ethics of Accountant and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of complex and illiquid financial instruments and derivatives

The Bank has complex and illiquid financial instruments in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires management to use pricing models and assumptions, such as expected cash flow, risk free rate, credit risk spread, among other inputs. Due to the nature of these instruments and the complexity and subjectivity involved in the valuation methodologies, we considered the measurement of these complex and illiquid financial instruments as one of the main audit matters.

Our audit procedures included, among others, the involvement of specialists in illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments. In addition, we evaluated the Bank's disclosures, which are included in footnotes 8, 9 and 13.

Disposal of investments in subsidiaries and affiliates

As disclosed in the consolidated financial statements for the year ended December 31, 2015, management implemented initiatives to preserve capital and liquidity, which included, among others, the disposal of certain relevant investments in subsidiaries and affiliates and the corporate restructuring of some investments. The process of computing the results and determining the consequent accounting treatment is a complex issue because it involves implications of clauses stipulated in the Share Purchase Agreement, in addition to the magnitude of the amounts involved; being, then, considered as one of the main audit matters. These aspects were analyzed and treated by management in the consolidated financial statements, according to footnotes 2 and 13.

Our audit procedures, included, among others, the involvement of specialists to assist us on the understanding of these Share Purchase Agreements, as well as the evaluation of the related accounting treatment, including their impacts on the statement of income for the period. Moreover, we evaluated the Bank's disclosures related to these disposals, which are disclosed in the aforementioned notes.

Related party transactions

The Bank is part of an organizational structure with several legal entities, in Brazil and abroad, and it carries out, within its operations, transactions with these related parties. Due to the number of related parties, and the volume and the inherent risk associated to these transactions, we considered related parties transactions to be one of the main audit matters.

Our audit procedures included, among others, the understanding of the Bank's procedures for identifying and mapping transactions with related parties, as well as obtaining formal representation by management with respect of the identification of all related parties with the Bank. Additionally, we audited, on a sampled basis, the transactions with related parties and the respective eliminations, when applicable, in the consolidated financial statements.

Furthermore, we evaluated the Bank's disclosures pertaining to related party transactions, disclosed in footnote 25.

Information technology (IT) environment

Because of the volume and complexity, the Bank's operations are highly dependent on the proper functioning of the IT structures and its systems. Therefore, we considered the IT environment as one of the main audit matters.

Our audit procedures included, among others, the involvement of IT experts in conducting tests of information technology general controls for processes of managing changes and access to the systems that we deemed relevant to the preparation of the consolidated financial statements, including the automated transactional controls of those systems.

Other matters

Statement of value added

The consolidated statement of value added (SVA), for the year ended December 31, 2016, prepared under the responsibility of Bank's management, and presented as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was submitted to the same audit procedures performed in accordance with the audit of the Bank's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the consolidated financial statements taken as a whole.

Individual financial statements

The Bank has prepared a full set of individual financial statements for the year ended on December 31, 2016 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil for which we issued an unqualified separate independent auditors' report, without modification, dated February 14, 2017.

Other information accompanying the consolidated financial statements and the auditor's report

Bank's management is responsible for such other information, which includes the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with the audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, to consider whether this report is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or otherwise whether this report appears to be materially misstated. If based on our work we conclude that there is material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process, and includes Management, Audit Committee and Board of Directors of the Bank and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.

Based on the matters that were communicated to those in charge of governance, we determine those that were considered most significant in the audit of the financial statements for the current year and, therefore, that represent the significant audit issues. We describe these matters in our audit report, unless the law or regulation has forbidden public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be included in our report because the adverse consequences from such disclosure may, within a reasonable perspective, overcome the benefits from communication to the public interest.

São Paulo, February 14, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP 015 199/F-6

Grégory Gobetti
Accountant CRC – 1PR 039.144/O-8

A free translation from Portuguese into English of the consolidated financial statements presented in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and in Reais

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31

(In thousands of reais)

	Note	2016	2015
Assets			
Current assets		83,553,280	202,429,281
Cash at banks	6	674,114	20,490,900
Short-term interbank investments	7	20,752,635	32,584,347
Open market investments		18,810,059	17,381,711
Interbank deposits		1,942,576	15,202,636
Securities and derivative financial instruments		33,304,289	62,421,102
Own portfolio	8	12,887,902	14,421,545
Subject to repurchase agreements	8	6,385,653	3,406,152
Subject to unrestricted repurchase agreements	8	185,449	591,054
Derivative financial instruments	9	10,897,355	37,722,151
Subject to guarantees	8	2,947,930	6,280,200
Interbank transactions		1,962,962	1,594,814
Deposits in the Central Bank of Brazil		1,962,962	1,594,814
Loans	10	3,634,223	36,155,866
Loans		4,003,998	37,563,511
Transferred loans with coobligation		12,848	85,436
Allowance for loan losses		(382,623)	(1,493,081)
Other receivables		23,156,354	49,101,502
Foreign exchange portfolio	11	14,695,453	11,770,493
Income receivable	12	668,728	1,427,993
Securities trading and brokerage	11	2,790,923	12,906,141
Sundry	12	5,149,017	23,354,131
Allowance for losses on other receivables	10	(147,767)	(357,256)
Other assets		68,703	80,750
Other assets		1,727	3,371
Prepaid expenses		66,976	77,379
Provision for losses		-	-
Long-term-assets		19,577,416	43,802,303
Long-term interbank investments	7	48	2,193
Open market investments		48	-
Interbank deposits		-	2,193
Securities and derivative financial instruments		4,181,932	15,247,900
Own portfolio	8	496,085	1,173,681
Derivative financial instruments	9	1,012,968	6,430,977
Subject to repurchase agreements	8	778,640	4,852,313
Subject to guarantees	8	1,894,239	2,790,929
Interbank transactions		272,357	326,436
Restricted credits – National Housing System		272,357	326,436
Loans	10	5,879,135	19,509,185
Loans		6,076,828	19,951,536
Allowance for loan losses		(197,693)	(442,351)
Other receivables		9,159,107	8,544,765
Income receivable	12	192,477	364,442
Sundry	12	8,968,038	8,186,966
Allowance for losses on other receivables	10	(1,408)	(6,643)
Other assets		84,837	171,824
Temporary investments		52,149	52,149
Other assets		62,576	109,342
Prepaid expenses		15,211	57,502
Provision for losses		(45,099)	(47,169)
Permanent assets		8,640,861	8,317,098
Investments		8,167,843	6,659,435
Investments in associates and jointly controlled entities - in Brazil	13	1,613,057	1,728,834
Investments in associates and jointly controlled entities - abroad	13	6,539,084	4,892,849
Other investments		19,200	41,250
Allowance for losses		(3,498)	(3,498)
Property and equipment in use		92,688	738,347
Property in use		4,930	434,228
Other property and equipment in use		245,955	475,075
Accumulated depreciation		(158,197)	(170,956)
Deferred charges		13,595	25,620
Amortization and expansion costs		63,842	79,340
Accumulated amortization		(50,247)	(53,720)
Intangible assets	14	366,735	893,696
Other intangible assets		1,300,456	1,712,186
Accumulated amortization		(933,721)	(818,490)
Total assets		111,771,557	254,548,682

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31

(In thousands of reais)

	Note	2016	2015
Liabilities			
Current liabilities		70,059,411	189,342,301
Deposits	15	7,529,145	81,973,054
Demand deposits		128,552	64,196,932
Interbank deposits		171,806	1,386,036
Time deposits		7,228,787	16,390,086
Open market funding	15	24,083,428	17,114,887
Own portfolio		7,687,107	8,067,513
Third-party portfolio		12,967,472	6,244,030
Free trading portfolio		3,428,849	2,803,344
Funds from securities issued and accepted	15	5,627,207	9,038,926
Real estate, mortgage, credit and similar notes		5,273,282	6,632,767
Securities issued abroad		342,252	2,388,077
Certificates of structured transactions		11,673	18,082
Interbank transactions		5,060	7,168
Unsettled receipts and payments		5,060	7,168
Interdependencies transactions		82,602	-
Unsettled third party assets		82,602	-
Loans and onlending	15	999,606	5,583,459
Loans abroad		768,480	4,882,620
Loans in Brazil		163,771	660,264
Onlending in Brazil		67,355	40,575
Derivative financial instruments	9	8,430,235	36,017,438
Derivative financial instruments		8,430,235	36,017,438
Other liabilities		23,302,128	39,607,369
Collection and payments of tax and similar charges		3,889	4,390
Foreign exchange portfolio	11	14,341,764	11,643,842
Social and statutory	16	1,457,553	1,877,809
Tax and social security	16	326,911	2,286,615
Securities trading and brokerage	11	4,101,958	12,655,340
Subordinated debt	15	1,239,548	1,048,142
Sundry	16	1,830,505	10,091,231
Long-term liabilities		23,717,671	44,953,372
Deposits	15	161,672	4,770,466
Interbank deposits		54,329	89,331
Time deposits		107,343	4,681,135
Open market funding	15	820,545	3,193,323
Own portfolio		105,979	365,049
Free trading portfolio		714,566	2,828,274
Funds from securities issued and accepted	15	4,708,495	10,520,309
Real estate, mortgage, credit and similar notes		2,556,676	6,305,926
Securities issued abroad		2,151,819	4,214,383
Loans and onlending	15	2,545,216	2,514,161
Loans abroad		-	1,622
Loans in Brazil		-	157,068
Onlending in Brazil		2,545,216	2,355,471
Derivative financial instruments	9	1,214,642	6,309,532
Derivative financial instruments		1,214,642	6,309,532
Other liabilities		14,267,101	17,645,581
Tax and social security	16	1,761,296	1,457,600
Subordinated debt	15	6,043,442	7,249,096
Debt instrument eligible to capital	15	4,305,202	5,160,397
Sundry	16	2,157,161	3,778,488
Deferred income		141,783	310,375
Non-controlling interest		125,473	229,370
Shareholders' equity	19	17,727,219	19,713,264
Capital - domiciled in Brazil		4,727,289	4,687,290
Capital - domiciled Abroad		2,493,237	2,493,236
Capital Reserve		652,515	-
Fair value of assets available for sale		39,756	143,614
Income reserves		9,885,256	12,521,518
Treasury shares		(70,834)	(132,394)
Total Liabilities and Shareholders' equity		111,771,557	254,548,682

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Years ended December 31

(In thousands of reais, except net income per share)

	Note	2016	2015
Financial income		13,451,145	15,564,982
Loans		1,809,390	3,118,748
Securities		4,969,829	10,251,463
Derivative financial instruments		4,161,800	2,068,430
Foreign Exchange		2,308,003	-
Mandatory investments		202,123	126,341
Financial expenses		(6,642,609)	(15,767,389)
Funding operations		(7,111,390)	(9,236,708)
Borrowing and onlending		565,757	(5,880,030)
Foreign Exchange		-	(82,928)
Allowance for loan losses and other receivables	10	(96,976)	(567,723)
Net financial income / (loss)		6,808,536	(202,407)
Other operating income / (expenses)		(2,554,141)	1,302,893
Income from services rendered	20	2,697,783	3,505,525
Personnel expenses		(1,676,613)	(1,633,895)
Other administrative expenses	23	(2,134,846)	(2,092,746)
Tax charges		(556,093)	(191,085)
Equity in the earnings of associates and jointly controlled entities	13	(794,040)	1,506,730
Other operating income	21	1,266,788	2,236,467
Other operating expenses	22	(1,357,120)	(2,028,103)
Operating income		4,254,395	1,100,486
Non-operating income	24	940,124	2,737,108
Income before taxation and profit sharing		5,194,519	3,837,594
Income tax and social contribution	18	(1,112,926)	3,159,559
Provision for income tax		(190,808)	(1,293,737)
Provision for social contribution		(157,053)	(453,080)
Deferred income tax and social contribution		(765,065)	4,906,376
Statutory profit sharing		(721,512)	(1,534,451)
Non-controlling interest		48,502	160,796
Net income for the year		3,408,583	5,623,498
Interest on equity	19	(1,390,000)	(914,754)
Weighted average numbers of share outstanding		2,928,585,698	2,748,536,622
Net income per share - R\$		1.16	2.05

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity

Years ended December 31

(In thousands of reais, except for dividends and interest on equity per share)

	Note	Capital	Capital reserve	Income reserves			
				Legal	Unrealized	Statutory	Total
Balances as at December 31, 2014		6,406,863	-	626,595	2,467,107	5,137,855	8,231,557
Capital Increase	19	773,663	-	-	-	-	-
Own shares acquired	1	-	-	-	-	-	-
Own shares sold	1	-	-	-	-	(319,794)	(319,794)
Changes in fair value of assets available for sale		-	-	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-
Intermediate interest on equity (R\$0.16 per share)	19	-	-	-	-	-	-
Dividends paid by previous years (R\$0.04 per share)	19	-	-	-	-	(106,130)	(106,130)
Intermediate dividends (R\$0.02 per share)	19	-	-	-	-	(47,324)	(47,324)
Net income for the year		-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-
Income reserve		-	-	281,175	2,922,002	1,505,567	4,708,744
Interest on equity (R\$0.18 per share)	19	-	-	-	-	-	-
Balances as at December 31, 2015		<u>7,180,526</u>	<u>-</u>	<u>907,770</u>	<u>5,389,109</u>	<u>6,170,174</u>	<u>12,467,053</u>
Capital Increase	19	40,000	3,960,000	-	-	(4,000,000)	(4,000,000)
Share premium	2	-	(3,307,485)	-	-	-	-
Own shares acquired	1	-	-	-	-	-	-
Cancellation of treasury shares	1	-	-	-	-	(654,845)	(654,845)
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-
Net income for the year		-	-	-	-	-	-
Net income allocation		-	-	-	-	-	-
Income reserve		-	-	170,429	(2,152,576)	4,000,730	2,018,583
Interest on equity (R\$0.32 per share)	19	-	-	-	-	-	-
Balances as at December 31, 2016		<u>7,220,526</u>	<u>652,515</u>	<u>1,078,199</u>	<u>3,236,533</u>	<u>5,516,059</u>	<u>9,830,791</u>

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Years ended December 31

(In thousands of reais)

	Note	2016	2015
Operating activities			
Net income for the year		3,408,583	5,623,498
Adjusts to net income		1,831,362	(3,977,849)
Equity pick up from associates and jointly controlled entities	13	794,040	(1,506,730)
Subordinated debt and debt instrument eligible to equity exchange variation		(1,184,574)	-
Interest expense with subordinated debt		923,708	2,876,070
Deferred income tax and social contribution		765,065	(4,906,376)
Goodwill amortization	22	165,909	208,216
Goodwill exchange variation	14	73,740	(172,914)
Fair value of assets held for sale		-	(560,581)
Permanent assets exchange variation		68,001	(90,145)
Depreciation and amortization	23	225,473	174,611
Adjusted net income for the year		5,239,945	1,645,649
Increase/decrease in operational activities			
Short-term interbank investments		2,051,853	16,910,776
Securities and derivative financial instruments		(2,432,100)	6,540,025
Loans		14,059,939	12,357,632
Other receivables and other assets		10,650,802	(19,915,717)
Interbank transactions		(316,177)	(753,164)
Interdependencies transactions		82,602	-
Other liabilities		1,041,607	8,907,243
Deferred income		(168,592)	139,231
Deposits		(34,784,422)	(8,288,467)
Open market funding		5,309,572	(20,132,979)
Loans and onlending		(1,755,280)	1,228,993
Cash provided by / (used in) by operating activities		(1,020,251)	(1,360,778)
Investing activities			
Sale of other investment		22,050	3,739
Sale of investments	13	1,854,247	399,639
Acquisition of equity interests	13	(6,018)	(1,301,792)
Dividends and interest on equity received	13	291,680	299,458
Acquisition of property and deferred charges		(47,617)	(97,051)
Sale of property and deferred charges		8,883	54,390
Acquisition of intangible assets		(33,341)	(12,588)
Assets transfer, held for sale		-	485,614
Business combination / desconsolidation, net of cash		(13,003,159)	20,008,032
Sale of intangible assets		-	3,294
Cash (used in) / provided by investing activities		(10,913,275)	19,842,735
Financing activities			
Acquisition of treasury shares		(593,285)	(452,188)
Funds from securities issued and accepted		(9,223,533)	(1,224,534)
Subordinated debt and debt instrument eligible to equity		(1,608,577)	(334,827)
Non-controlling interest		(103,897)	(363,387)
Capital increase	19	-	773,663
Interest on equity	19	(992,774)	(720,200)
Dividends distributed	19	-	(153,454)
Cash (used in) financing activities		(12,522,066)	(2,474,927)
(Decrease) / increase in cash and cash equivalents		(24,455,592)	16,007,030
Balance of cash and cash equivalents	26		
At the beginning of the year		38,429,340	22,422,310
At the end of the year		13,973,748	38,429,340
(Decrease) / increase in cash and cash equivalents		(24,455,592)	16,007,030
Non-cash transaction			
Dividends and interest on equity received		16,009	-
Debentures converted on shares		-	(985,979)
Credit renegotiation		-	1,202,770
Interest on equity payable		890,000	492,754
Assets transfer, held for sale		1,810,547	1,200,100
Acquisition of equity interests		(4,478,665)	-
Changes in fair value of assets available for sale		(105,609)	(4,170)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Years ended December 31

(In thousands of reais)

	2016	2015
Income	16,901,744	21,448,256
Financial brokerage	13,451,145	15,564,982
Services rendered	2,697,783	3,505,525
Allowance for loan losses and other receivables	(96,976)	(567,723)
Other	849,792	2,945,472
Expenses	(6,545,633)	(15,199,666)
Financial brokerage	(6,545,633)	(15,199,666)
Inputs acquired from third parties	(1,753,388)	(1,770,477)
Materials, energy and other	(16,720)	(20,244)
Outsourced services	(1,736,668)	(1,750,233)
Gross value added	8,602,723	4,478,113
Depreciation and amortization	(225,473)	(174,611)
Net value added produced by the entity	8,377,250	4,303,502
Value added received through transfer	(794,040)	1,506,730
Equity in the earnings of associates and jointly controlled entities	(794,040)	1,506,730
Value added to be distributed	7,583,210	5,810,232
Distribution of value added	7,583,210	5,810,232
Personnel	2,398,125	3,168,346
Direct compensation	2,023,579	2,818,812
Benefits	198,801	181,111
FGTS – government severance pay fund	175,745	168,423
Taxes, fees and contributions	1,669,020	(2,968,474)
Federal	1,555,544	(3,094,859)
Municipal	113,476	126,385
Remuneration of third party capital	155,984	147,658
Rent expenses	155,984	147,658
Remuneration of shareholders	3,360,081	5,462,702
Interest on equity	1,390,000	914,754
Dividends	-	47,324
Retained earnings	2,018,583	4,661,420
Non-controlling interest	(48,502)	(160,796)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

1. Operations

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, investment portfolios, credit, financing and investment, leasing and real estate loans.

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

The Bank and BTGP (the "Companies") have units listing on NYSE Euronext in Amsterdam and BM&F BOVESPA in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share, class A, and 2 preferred shares, class B of BTG Pactual Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

BTG Pactual concluded its strategic plan to improve liquidity and preserve capital; and it understands that the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of commodities as well as the cost reduction program, will bring it to levels of liquidity and capital better than its historical.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

In April 7, 2016, the Special Committee, assisted by the Legal Counsel, concluded their investigation and released the final report. Based on its investigation, Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 77,801,250 units have been repurchased in the total amount of R\$1,045,473 and 71,904,350 units had been canceled, in the amount of R\$974,639. On December 31, 2016, 5,896,900 units are held in treasury.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

Liability Repurchase

During the year ended December 31, 2016 and 2015 the Group repurchased liabilities and early liquidated liabilities, including some of the outstanding balance of senior and subordinated non-cumulative perpetual notes (tier I), with no impact on our capital base.

The Bank board of directors understands that concluded sufficient measures to fulfill the Group obligation's in both the short and medium terms, and strengthened its current liquidity. The cash level, measured by high quality liquid assets was higher than as at November 25, 2015. On December 31, 2016, short-term liquidity KPI is equivalent to 129% to the Bank.

The consolidated financial statements were approved by Bank's Management on February 14, 2017, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

2. Corporate reorganization and acquisitions

Corporate events

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazil energy trading desk from the operational structure of BTG Pactual and to rearrange the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners ("Engelhart CTP"). The Commodities Platform will operate separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. It is anticipated that a portion of such equity will be held by senior employees of Engelhart CTP under an incentive program. Up to five years after the completion of the separation, Engelhart CTP will have the option to acquire its remaining equity interest held by Banco for its shareholders' equity value.

Further to the process of separation of its commodity trading activities, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP against delivery to Banco of 596,209,676 Class C Preferred Shares ("PNCs") that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP, BTG Pactual is recognizing the remaining stake as an investment in an associate entity based on the equity method.

During the year ended December 31, 2016, as part of the commodity trading activities separation process, Engelhart CTP acquired 6.1% of its own shares held by Banco. The total consideration was US\$150 million and the price was equivalent to Engelhart CTP's net asset accounting value.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

As at September 2015, the restructuring process of Eneva S.A. ("Eneva") was completed. As a result, part of the loans held by the Bank were converted into interest in the company and the Bank has also contributed new assets in the company. As at December 31, 2016, the Bank has a stake equivalent to 33.7% (December 31, 2015 - 49.7%) of the total capital of Eneva. As a result of the completion of the Eneva's restructuring process and its share market price, fair value in the amount of R\$142 million were recognized in the year ended December 31, 2016.

Acquisitions and disposals

On December, 2016, the bank repurchased one of its energy trading entity, which had been sold on October 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

On November 2016, BTG Pactual, together with its joint-venture partner, has entered into definitive agreements to sell 100% of the 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 gain or loss arising from the transaction. Additional information about the transaction is described on note 27.

On 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 corporate loan portfolios. The completion of the transaction is subject to regulatory approvals.

On November 1, 2016, BTG Pactual sale 100% of BSI to EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF340 million. EFG's stake were accounted for using the equity pick up method. BSI's purchase transaction and the subsequent sale are subject to price adjustments, or indemnity for non-compliance to the transaction, including the execution of the guarantees provided by EFG shares deposits of Bank property in related account. Obligations or rights will be recognized as their effects become quantifiable and probable. The bank expect's to incur any material losses on the sale transaction, any liabilities with material risks related to the BSI sale, is related to rights from BSI purchase.

On February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO").

On April 20, 2016, BTG Pactual informed its shareholders and the market in general that on this date purchase and sale agreements were entered into, whereby CNP Assurances S.A. undertook to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R\$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of said transactions plus any dividends to be distributed to the their respective shareholders until said completion date, in accordance with the relevant agreements. Additional information about the transaction is described on note 27.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

On April, 2015, the Bank through one of its subsidiaries, converted debentures in the amount of R\$986 million, issued by Rede D'Or, and received shares equivalent to 21.1% of its equity, which generated a goodwill in the amount of R\$650 million. In May, 2015, Rede D'Or received a capital increase which diluted the Bank interest to 19.4% and generated an equity pickup gain of R\$269 million, net of proportional goodwill amortization. Additionally, during the year ended December 31, 2015, BTG Pactual sold its remaining investment in Rede D'Or and recognized a gain of R\$2.7 Billion. Also, the sale contracts contain terms that might change the receivable amount of the Bank, in case the share price of an initial public offering does not reach a certain price. On December 31, 2016, the Bank estimated that the value of these terms is zero.

On December 31, 2015, the Bank entered into a sale commitment of its full ownership in Recovery do Brasil Consultoria S.A ("Recovery"), by the total amount of R\$1.2 billion, as per described: (i) transfer of ordinary shares, equivalents to 81.94% of Recovery share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL I ("FIDC NPL I"), equivalents to 69.34% of the fund's total investment, and; (iii) transfer of debentures not convertible issued by Renova Companhia Securitizadora de Créditos Financeiros S.A. ("Renova"). On the same date, the referred assets were transferred to held for sale, measured at fair value. The transaction generated a gain of R\$560 million. On February 17, 2015, the sale transaction was approved by Conselho Administrativo de Defesa Econômica (CADE) and on March 31, 2016 the transaction was settled.

BTG Pactual Group has entered into a joint venture to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, as at July 10, 2014, the Bank acquired 100% of the shares of Ariel Re (Holdings) Limited's operations ("Ariel"), a non-life international reinsurance group, based in London and Bermuda, that specializes in property catastrophe reinsurance. On January 12, 2015, the acquisition of Ariel was approved by the Brazilian Central Bank and on February 3, 2015, it was settled. In April 2015, the transfer of 50% of interest on Ariel to the joint venture was concluded.

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement of BSI, a Swiss financial institution subsidiary of Generali Group. On September 30, 2015, the acquisition was concluded and the aggregate consideration paid by Banco BTG Pactual was CHF1,248 million (R\$4,935 million) as per the exchange rate on the date of acquisition, and it consisted of: (i) CHF1,048 (R\$4,162 million) in cash totally paid in September 2015, and (ii) shares in the amount of CHF200 million (R\$773 million). The shares issuance, mentioned above, was approved by the Brazilian Central Bank on November 3, 2015.

In addition, Generali NV used part of the cash proceeds CHF50 million (R\$203 million) to fund the acquisition of a corresponding number of equity interests of BTG Pactual Participations needed to form units of the BTG Pactual Group.

The table below presents a summary of the transaction under BR GAAP:

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

	Acquisition date (in thousands of reais)
Cash and cash equivalent	16,889,023
Short-term interbank investments	15,224,291
Securities and derivative financial instruments	8,674,372
Loans	53,405,471
Allowance for loan losses	(734,726)
Deposits	(75,739,691)
Open market funding and derivative financial instruments	(3,992,057)
Other assets and liabilities	(8,641,827)
Net assets acquired	5,084,856
Consideration paid	
Cash	4,161,728
Shares	773,663
Total consideration paid	4,935,391
Transactions costs capitalized	39,945
Negative goodwill	(109,520)
Business combination, net of cash	12,687,350

3. Presentation of the financial statements

The Bank's and its subsidiaries' financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the Conselho Monetário Nacional (CMN), BACEN and Securities and Exchange Commission (CVM), when applicable.

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inaccuracies inherent to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and were included the portions of net income (loss) and shareholders' equity relating to non-controlling interest.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities is recognized in investments.

The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

	Country	Equity interest - %	
		2016	2015
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Holding Participações S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.90
BTG Pactual Holding Internacional S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
BW Properties S.A.	Brazil	71.28	71.28
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.70	99.70
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual TTG Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	100.00
Banco Sistema S.A.	Brazil	99.84	99.84
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	100.00
Infra IX Empreendimentos e Participações S.A	Brazil	100.00	
Banco BTG Pactual Chile S.A.	Chile	100.00	100.00
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Inversiones Limitada	Chile	-	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile Servicios Empresariales Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Chile International Corp.	Chile	-	100.00
BTG Pactual Seguros de Vida	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	Country	Equity interest - %	
		2016	2015
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	94.50
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTGP Corp SAS	Colombia	-	100.00
BTGP S.A.	Colombia	-	100.00
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
Engelhart CTP Holding (UK) LTD (i)	UK	-	100.00
Engelhart CTP (Brazil) SA (i)	Brazil	-	99.99
Engelhart CTP (UK) LLP (i)	UK	-	100.00
Engelhart CTP (Singapore) PTE LTD (i)	Singapore	-	100.00
Engelhart CTP (Switzerland) SA (i)	Switzerland	-	100.00
Engelhart CTP Holding (US) LLC (i)	USA	-	100.00
Engelhart CTP (US) LLC (i)	USA	-	100.00
Engelhart CTP (Kenya) Limited (i)	Kenya	-	100.00
Engelhart CTP (South Africa) Proprietary Limited (i)	South Africa	-	100.00
Engelhart CTP (Argentina) SA (i)	Argentina	-	100.00
Engelhart Warehousing (Singapore) PTE Limited (i)	Singapore	-	100.00
Engelhart CTP (Shanghai) CO LTD (i)	China	-	100.00
Engelhart Warehousing (US) LLC (i)	USA	-	100.00
Engelhart Warehousing (UK) Limited (i)	UK	-	100.00
Engelhart CTP Trading (US) LLC (i)	USA	-	100.00
Engelhart CTP (Ukraine) (i)	Ukraine	-	100.00
Engelhart CTP (Italy) SRL (i)	Italy	-	100.00
Engelhart CTP (Costa Rica) S.r.l. (i)	Costa Rica	-	100.00
Engelhart CTP (Colombia) SAS (i)	Colombia	-	100.00
Engelhart CTP (Rus) Limited Liability Company (i)	Russia	-	100.00
Engelhart CTP Absolute Return Limited (i)	Cayman	-	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	99.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	99.84
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
BTG Pactual UK Holdco Limited	UK	100.00	100.00
BTG Pactual Family Office S.A. de C.V. (i)	Mexico	-	100.00
BSI S.A. (i)	Switzerland	-	100.00
BSI SA - Italian Branch (i)	Italy	-	100.00
BSI SA - Hong Kong Branch (i)	Hong Kong	-	100.00
BSI Art Collection S.A. (i)	Luxembourg	-	100.00
BSI Art Collection (Svizzera) S.A. (i)	Switzerland	-	100.00
BSI Asset Managers SAM (i)	Monaco	-	100.00
BSI Bank (Panama) S.A. (i)	Panama	-	100.00
BSI Bank Limited (i)	Singapore	-	100.00
BSI Europe S.A. (i)	Luxembourg	-	100.00
BSI Fund Management S.A. (i)	Luxembourg	-	100.00
BSI Laran S.A. (i)	Switzerland	-	100.00
BSI Monaco SAM (i)	Monaco	-	100.00
BSI Overseas (Bahamas) Ltd. (i)	Bahamas	-	100.00
BSI Trust Corporation (Malta) Ltd. (i)	Malta	-	100.00
EOS Servizi Fiduciari SpA (i)	Italy	-	100.00
Oudart S.A. (i)	France	-	100.00
Oudart Gestion S.A. (i)	France	-	100.00
Oudart Patrimoine S.A. (i)	France	-	100.00
Patrimony 1873 S.A. (i)	Switzerland	-	100.00
BTGP-BSI Limited (i)	UK	-	100.00
BTG Pactual Holding AG (i)	Switzerland	-	100.00

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

		Equity interest - %	
	Country	2016	2015
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
Nala Fundo de Investimento em Participações	Brazil	-	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Caixa BTG Pactual Multisegmentos	Brazil	-	100.00
BTG Pactual Gewinnstrategie Fundo de Investimento Multimercado Crédito Privado	Brazil	-	100.00
Fundo de Investimento em Participações Quartzo	Brazil	-	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual Mall Fundo de Investimento Imobiliário	Brazil	-	100.00
Fundo de Investimento Imobiliário BTG Pactual Shopping	Brazil	-	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
Caravelas Fundo de Investimento em Ações	Brazil	-	56.00
BTG Pactual Absolute Return III Master Fund LP	Cayman	-	100.00
CCF Ltd	Cayman	-	100.00
CCMF Ltd	Cayman	-	100.00
FI Imobiliario Property Invest	Brazil	-	100.00
BTG CMO FIM CP – IE	Brazil	-	100.00
BTG Pactual Real Estate Fund Ltd	Cayman	100.00	100.00
B-2 Fundo de Investimento Multimercado	Brazil	-	100.00
BTG Pactual Absolute Return III Limited	Brazil	100.00	100.00
BTG Pactual Intl Port Fund II SPC – Class Commodities	Cayman	100.00	100.00
FIDC NP Alternative Assets I	Brazil	100.00	

- (i) Management decided to no longer consolidate the balance sheets of BSI and Engelhart CTP and their subsidiaries as at September 30, 2016 due to: (i) both the sale of BSI and the separation of Engelhart CTP were substantially concluded as a result of regulatory approvals obtained till then; (ii) the completion of both transactions was deemed highly probable as at September 30, 2016; and (iii) the presentation of their balances on the consolidated balance sheets of Banco BTG Pactual or the combined balance sheets of BTG Pactual Group would conflict with the objective to provide relevant information for the market.

b. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate.

The financial statements of the companies abroad, originally stated in their functional currencies, were translated into reais at the foreign exchange rates on the reporting dates.

The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are the following:

a. Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities up to 90 days, subject to an insignificant risk of change in value.

b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and onlending, subordinated debts and other asset and liability transactions

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a “*pro rata die* basis”, based on the effective rate of the transactions.

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

i. Trading securities

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjusted to fair value, recognized to the income of the period.

ii. Available for sale securities

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded on profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in income (loss) after the effective realization.

iii. Held-to-maturity securities

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to income (loss). Decreases in the fair value of available-for-sale and held-to-maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in income (loss) as realized losses.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

d. Derivative financial instruments

These are classified according to Management's intention, on the transaction date, considering whether such transactions are for hedge or not.

The transactions using financial instruments of own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in income (loss).

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge and are classified according to their nature:

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss); and
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.

e. Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, are calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in income (loss).

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

g. Sale or transfer of financial assets with substantial retention of risks and benefits

Financial assets remain on the transferor's balance sheet when the transferor sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

h. Loans and other receivables (operations with credit characteristics)

Recorded at present value, calculated on a "*pro rata die*" basis on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income (loss) occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

i. Allowance for loan losses

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.
- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties are determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

k. Investments

Jointly controlled and associates are accounted for under the equity method. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

l. Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, are amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

m. Property and equipment in use and deferred charges

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

n. Intangible assets

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company, (ii) for acquired rights of assets

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

management contracts, and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

o. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, it is recorded as loss in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the lower of value in use and fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

p. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution of financial institutions and 9% for non-financial institutions.

q. Contingent assets and liabilities, and legal, tax and social security obligations

Recognized according to the criteria described below:

i. Contingent assets

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

iii. Legal obligation – tax and social security

Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

r. Earnings per share

Calculated based on weighted average shares outstanding for the period.

s. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, defines overall limits and is ultimately responsible for managing risks, (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new loans according to the guidelines set forth by the Bank's Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Committee, which assesses the main operational risks for the internal policies and regulatory risks established, (vi) AML (Anti Money Laundering) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering, (vii) CFO Committee, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure, (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk Management section.

a. Operating limits

	2016	2015
Reference Shareholders' Equity	17,672,754	19,658,799
Consolidation adjustments	54,465	54,465
Reference Shareholders' Equity Consolidated	17,727,219	19,713,264
Tier I	16,216,254	22,348,819
Common Equity	11,924,484	17,206,110
Complementary Equity	4,291,770	5,142,708
Tier II	3,421,161	3,977,264
Reference Shareholders' Equity (PR) - (a)	19,637,415	26,326,083
Required Reference Shareholders' Equity (PRE)	9,571,425	18,742,699
Total exposure risk-weighted - (b)	91,156,431	169,705,482
Credit risk	55,813,608	125,148,545

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	2016	2015
Operational risk	3,385,968	75,855
Market risk	31,956,855	44,481,082
Basel ratio - (a/b*11%)	21.60%	15.5%
Tier I capital	17.80%	13.1%
Tier II capital	3.80%	2.3%
Fixed assets ratio	77.1%	69.9%
Fixed assets to equity capital ratio	9,813,329	13,156,602
Status for fixed assets to equity capital ratio	7,567,019	9,193,675
Amount of margin (insufficiency)	2,246,310	3,962,927

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circular-Letter 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13.

The Bank has chosen the basic indicator approach to measure operating risk.

As at the year ended December 31, 2016 and 2015 the Bank was in compliance with all operating limits.

b. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one day period, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses stress test models as a complement to VaR method for its daily risk activities.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

The table below contains the Bank's daily average VaR for the year ended as follows:

In millions of R\$	2016	2015	2014
Daily average VaR	141,3	125.6	73.0

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

d. Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a low level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

e. Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

6. Cash at banks

Cash at banks refer basically to deposits abroad in prime banks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

7. Interbank investments

	2016					2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	18,810,107	18,799,323	10,736	-	48	17,381,711
Own portfolio	1,293,206	1,287,609	5,549	-	48	5,648,295
Federal government bonds	1,204,460	1,199,894	4,518	-	48	5,003,202
Corporate bonds	88,746	87,715	1,031	-	-	465,816
Foreign government bonds	-	-	-	-	-	179,277
Third-party portfolio	13,879,352	13,874,165	5,187	-	-	8,690,279
Federal government bonds	13,838,735	13,833,548	5,187	-	-	8,680,308
Corporate bonds	2,137	2,137	-	-	-	9,971
Foreign government bonds	38,480	38,480	-	-	-	-
Short position	3,637,549	3,637,549	-	-	-	3,043,137
Federal government bonds	3,544,580	3,544,580	-	-	-	3,043,137
Foreign government bonds	92,969	92,969	-	-	-	-
Interbank investments (*)	1,942,576	1,942,576	-	-	-	15,204,829
Interbank deposit certificates	530,326	530,326	-	-	-	227,956
Investments in foreign currency - overnight	1,412,250	1,412,250	-	-	-	14,976,873
Total	20,752,683	20,741,899	10,736	-	48	32,586,540

(*) Refers basically to interbank deposits in prime banks.

The collateral received in repurchase agreements amounts to R\$19,162,823 (December 31, 2015 - R\$17,525,922), whereas the collateral granted amounts to R\$25,151,446 (December 31, 2015 - R\$20,377,207).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows:

	2016							2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	12,787,043	13,383,987	4,489,410	1,622,927	3,020,135	2,342,861	1,908,654	15,595,226
Federal government bonds	5,272,131	5,273,562	527	397,241	1,846,227	2,021,413	1,008,154	764,267
Brazilian foreign debt securities	9,031	9,031	7,053	-	-	-	1,978	2,083
Debentures/Eurobonds (i)	451,676	444,582	147,421	5,775	47,683	115,123	128,580	998,415
Bank certificates of deposit	108	108	108	-	-	-	-	19,507
Investment fund quotes								
Shares	120,085	130,060	130,060	-	-	-	-	21,355
Multimarket	1,831,314	1,935,931	927,830	1,008,101	-	-	-	267,227
FIDC - Credit Rights	5,892	5,892	5,892	-	-	-	-	11,418
Real Estate	4,563	4,563	1,490	-	3,073	-	-	7,343
Equity Investment fund	827,480	847,758	92,264	-	626,152	-	129,342	820,215
Shares	2,697,842	3,155,508	3,049,251	106,257	-	-	-	3,077,496
Promissory notes	30,546	30,546	-	30,546	-	-	-	121,250
Certificate of real estate receivables	34,116	34,120	28,547	-	1,262	4,311	-	474,298
Financial bills	-	-	-	-	-	-	-	70,202
Other	14,534	14,476	34	292	288	-	13,862	367,199
Foreign government bonds	466,758	475,605	72,502	43,105	239,301	78,227	42,470	4,918,256
Foreign private securities	1,020,967	1,022,245	26,431	31,610	256,149	123,787	584,268	3,654,695
Unrestricted portfolio	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Federal government bonds	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Subject to repurchase agreements	7,321,776	7,164,293	1,856,703	2,920,308	466,120	697,604	1,223,558	8,258,465
Federal government bonds	4,960,646	4,961,034	1,215,050	2,755,253	235,438	125,413	629,880	6,739,189
Brazilian foreign debt securities	10,076	10,076	10,076	-	-	-	-	-
Certificate of real estate receivables	314,623	314,623	-	-	-	-	314,623	450,277
Foreign government bonds	93,069	181,874	8,131	13,318	85,227	69,006	6,192	162,169
Foreign private securities								
Corporate Bond	460,625	460,625	-	3,139	63,115	372,716	21,655	76,783
Debentures / Eurobonds (i)	1,482,737	1,236,061	623,446	148,598	82,340	130,469	251,208	830,047
Subject to guarantees	4,896,898	4,842,169	1,233,185	411,347	654,951	1,810,337	732,349	9,071,129
Federal government bonds	3,966,912	3,968,253	553,389	352,542	601,351	1,751,955	709,016	2,720,759
Investment fund quotes								
Multimarket	244,978	244,978	244,978	-	-	-	-	171,338
Debentures / Eurobonds (i)	105,400	101,380	2,318	41,240	2,157	34,365	21,300	2,770,907
Certificate of real estate receivables	24,017	24,017	-	-	-	24,017	-	-
Shares	474,962	422,913	422,913	-	-	-	-	91,505
Bank certificates of deposit	64,887	64,886	9,587	3,856	51,443	-	-	8,350
Foreign government bonds	-	-	-	-	-	-	-	258,339
Foreign private securities	15,742	15,742	-	13,709	-	-	2,033	3,049,931
Trading securities	17,607,012	18,258,886	6,232,948	2,152,884	3,603,630	3,236,314	3,033,110	22,491,838
Available for sale securities	2,643,990	2,378,011	792,963	226,451	178,645	319,004	860,948	5,895,301
Held-to-maturity securities	4,939,001	4,939,001	553,387	2,575,247	376,559	1,383,981	49,827	5,128,735
Total	25,190,003	25,575,898	7,579,298	4,954,582	4,158,834	4,939,299	3,943,885	33,515,874

(i) Substantially securities issued by Brazilian companies.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

b. Trading securities

	2016							2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	12,071,863	12,684,090	4,322,211	1,586,314	2,925,987	2,212,708	1,636,870	13,689,542
Federal government bonds	5,272,131	5,273,562	527	397,241	1,846,227	2,021,413	1,008,154	764,267
Brazilian foreign debt securities	9,031	9,031	7,053	-	-	-	1,978	2,083
Debentures/Eurobonds (i)	12,818	20,953	8,803	-	12,150	-	-	296,363
Bank certificates of deposit	108	108	108	-	-	-	-	19,507
Investment fund quotes								
Shares	120,085	130,060	130,060	-	-	-	-	21,355
Multimarket	1,831,314	1,935,931	927,830	1,008,101	-	-	-	239,437
FIDC - Credit Rights	5,892	5,892	5,892	-	-	-	-	11,418
Real Estate	4,563	4,563	1,490	-	3,073	-	-	7,343
Equity investment fund	697,547	717,825	92,264	-	625,561	-	-	466,493
Shares	2,697,842	3,155,508	3,049,251	106,257	-	-	-	3,038,064
Certificate of real estate receivables	-	-	-	-	-	-	-	176,678
Financial bills	-	-	-	-	-	-	-	70,202
Other	-	-	-	-	-	-	-	3,381
Foreign government bonds	399,565	408,412	72,502	43,105	182,827	67,508	42,470	4,918,256
Foreign private securities	1,020,967	1,022,245	26,431	31,610	256,149	123,787	584,268	3,654,695
Unrestricted portfolio	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Federal government bonds	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Subject to repurchase agreements	2,949,169	3,038,362	1,233,257	196,463	383,780	567,135	657,727	2,979,125
Federal government bonds	2,385,399	2,385,787	1,215,050	180,006	235,438	125,413	629,880	2,676,769
Brazilian foreign debt securities	10,076	10,076	10,076	-	-	-	-	-
Foreign government bonds	93,069	181,874	8,131	13,318	85,227	69,006	6,192	162,169
Foreign private securities								
Corporate Bond	460,625	460,625	-	3,139	63,115	372,716	21,655	76,783
Debentures / Eurobonds (i)	-	-	-	-	-	-	-	63,404
Subject to guarantees	2,401,694	2,350,985	677,480	370,107	276,235	367,974	659,189	5,232,117
Federal government bonds	1,603,158	1,604,499	2	352,542	224,792	367,974	659,189	1,654,444
Investment fund quotes								
Multimarket	244,978	244,978	244,978	-	-	-	-	171,338
Shares	474,962	422,913	422,913	-	-	-	-	91,505
Bank certificates of deposit	64,887	64,886	9,587	3,856	51,443	-	-	8,350
Foreign government bonds	-	-	-	-	-	-	-	258,339
Foreign private securities	13,709	13,709	-	13,709	-	-	-	3,048,141
Total	17,607,012	18,258,886	6,232,948	2,152,884	3,603,630	3,236,314	3,033,110	22,491,838

(i) Substantially securities issued by Brazilian companies.

c. Available-for-sale securities

	2016							2015
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	715,180	699,897	167,199	36,613	94,148	130,153	271,784	1,905,684
Shares	-	-	-	-	-	-	-	39,432
Investment fund quotes								
Multimarket	-	-	-	-	-	-	-	27,790
Equity investment fund	129,933	129,933	-	-	591	-	129,342	353,722
Debentures (i)	438,858	423,629	138,618	5,775	35,533	115,123	128,580	702,052
Certificate of real estate receivables	34,116	34,120	28,547	-	1,262	4,311	-	297,620
Promissory notes	30,546	30,546	-	30,546	-	-	-	121,250
Foreign government bonds	67,193	67,193	-	-	56,474	10,719	-	-
Other	14,534	14,476	34	292	288	-	13,862	363,818
Subject to repurchase agreements	1,797,360	1,550,684	623,446	148,598	82,340	130,469	565,831	1,216,920
Debentures (i)	1,482,737	1,236,061	623,446	148,598	82,340	130,469	251,208	766,643
Certificate of real estate receivables	314,623	314,623	-	-	-	-	314,623	450,277
Other	-	-	-	-	-	-	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

Subject to guarantees	131,450	127,430	2,318	41,240	2,157	58,382	23,333	2,772,697
Debtentures	105,400	101,380	2,318	41,240	2,157	34,365	21,300	2,770,907
Certificate of real estate receivables	24,017	24,017	-	-	-	24,017	-	-
Foreign private securities	2,033	2,033	-	-	-	-	2,033	1,790
Total	2,643,990	2,378,011	792,963	226,451	178,645	319,004	860,948	5,895,301

(i) Substantially securities issued by Brazilian companies.

d. Held-to-maturity securities

	2016						2015
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Subject to re purchase	2,575,247	-	2,575,247	-	-	-	4,062,420
Federal government bonds	2,575,247	-	2,575,247	-	-	-	4,062,420
Subject to guarantees	2,363,754	553,387	-	376,559	1,383,981	49,827	1,066,315
Federal government bonds	2,363,754	553,387	-	376,559	1,383,981	49,827	1,066,315
Total	4,939,001	553,387	2,575,247	376,559	1,383,981	49,827	5,128,735

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2016 with a negative adjustment of R\$36,279 (December 31, 2015 – R\$183,963 negative).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention were made by Management during the year ended in December 31, 2016 and 2015.

9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed through strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

Transactions conducted in Brazil are traded, registered or held in custody by BM&F Bovespa and CETIP S.A. – Balcão Organizado de Ativos e Derivativos; transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

As at the year ended December 31, 2016 and 2015, the Bank does not have derivative financial instruments classified as hedge accounting. However, it has the policy to economically hedge its exposures to foreign currencies, including exposures in subsidiaries or to associates, using derivatives or other financial instruments. The policy aims to mitigate any effect from changes in foreign currency on assets and liabilities, other than those ones for trading purpose.

a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular Letter 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward (“NDF”) and Deliverable Forward (“DF”) derivatives in the table below.

	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	56,979,092	3,878,637	20,854,572	81,712,301	65,125,151
Currency	6,602,172	164,535	-	6,766,707	3,063,003
Interest rate	50,272,075	3,714,102	20,854,572	74,840,749	27,151,507
Commodities	-	-	-	-	34,018,152
Index	-	-	-	-	892,489
Equities	22	-	-	22	-
Other	104,823	-	-	104,823	-
Short position	18,262,714	-	-	18,262,714	113,180,183
Currency	70	-	-	70	9,330,260
Interest rate	18,070,715	-	-	18,070,715	53,174,349
Commodities	7,549	-	-	7,549	49,980,773
Index	-	-	-	-	694,801
Equities	22	-	-	22	-
Other	184,358	-	-	184,358	-
Swap					
Long position	21,313,892	12,001,926	30,485,815	63,801,633	85,704,319
Currency	1,378,148	11,091	727,008	2,116,247	3,988,096
Interest rate	19,778,535	11,882,632	29,531,306	61,192,473	77,368,420
Index	2,329	22,038	221,928	246,295	604,938
Equities	4,703	52,880	5,573	63,156	123,871
Commodities	-	-	-	-	3,382,082
Federal government bonds	744	-	-	744	-
Other	149,433	33,285	-	182,718	236,912

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	21,313,892	12,001,926	30,485,815	63,801,633	85,704,319
Currency	379,582	3,863,346	6,523,328	10,766,256	3,953,409
Interest rate	18,786,382	7,654,929	20,384,970	46,826,281	73,439,563
Index	465,982	460,161	3,152,547	4,078,690	1,384,147
Equities	1,499	-	-	1,499	442,109
Commodities	-	-	-	-	4,012,950
Federal government bonds	744	-	-	744	-
Other	1,679,703	23,490	424,970	2,128,163	2,472,141
Credit Derivatives					
Long position	293,319	32,591	217,707	543,617	306,800
Sovereign	293,319	32,591	179,250	505,160	214,861
Corporate	-	-	38,457	38,457	91,939
Short position	-	-	93,048	93,048	315,637
Sovereign	-	-	11,570	11,570	-
Corporate	-	-	81,478	81,478	315,637
Non-deliverable forward - NDF					
Long position	36,616,402	4,716,347	167,342	41,500,091	70,951,931
Currency	15,505,378	4,686,725	163,666	20,355,769	38,550,410
Commodities	21,028,246	-	-	21,028,246	29,886,785
Interest rate	82,778	29,622	3,676	116,076	2,514,736
Short position	36,616,402	4,716,347	167,342	41,500,091	70,951,931
Currency	12,657,500	3,666,343	78,340	16,402,183	40,496,695
Commodities	21,028,246	-	-	21,028,246	29,889,505
Interest rate	2,930,656	1,050,004	89,002	4,069,662	565,731
Deliverable forward - DF					
Long position	11,212,395	503,946	204,895	11,921,236	176,496,088
Commodities	-	-	-	-	15,172,314
Currency	11,212,395	503,946	204,895	11,921,236	152,843,559
Interest rate	-	-	-	-	8,480,215
Short position	11,212,395	503,946	204,895	11,921,236	176,496,088
Commodities	-	-	-	-	9,038,825
Interest rate	-	-	-	-	14,613,704
Currency	11,212,395	503,946	204,895	11,921,236	152,843,559
Security forwards					
Long position	9,701	-	200,369	210,070	354,132
Interest rate	-	-	-	-	289,798
Government bonds	9,701	-	200,369	210,070	64,334
Short position	9,701	-	200,369	210,070	354,132
Interest rate	9,701	-	200,369	210,070	64,334
Government bonds	-	-	-	-	289,798
Options market					
Call option - long position	13,024,977	1,099,284	169,771	14,294,032	22,622,158
Equities	165,615	189,269	56,364	411,248	589,767
Commodities	-	-	-	-	5,342,525
Index	-	-	-	-	31,592
Currency	6,901,886	910,015	38,000	7,849,901	16,587,988
Interest rate	5,957,476	-	-	5,957,476	-
Other	-	-	75,407	75,407	70,286
Put option - long position	22,254,022	1,612,574	446,776	24,313,372	24,466,699
Equities	294,193	171,214	412,776	878,183	490,907

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Commodities	-	-	-	-	8,740,920
Index	3,818	-	-	3,818	-
Currency	6,843,511	1,107,123	34,000	7,984,634	15,230,650
Interest rate	15,112,500	-	-	15,112,500	4,222
Other	-	334,237	-	334,237	-
Call option - short position	8,645,805	1,141,478	202,525	9,989,808	23,888,698
Equities	255,232	-	-	255,232	341,185
Commodities	-	-	-	-	4,711,397
Index	-	-	-	-	25,212
Currency	8,390,573	1,141,478	38,000	9,570,051	18,740,618
Other	-	-	164,525	164,525	70,286
Put option - short position	21,302,530	1,639,089	34,000	22,975,619	17,827,034
Equities	29,008	172,881	-	201,889	1,219,113
Commodities	-	-	-	-	4,059,595
Index	4,257	-	-	4,257	170,333
Currency	6,163,265	875,463	34,000	7,072,728	12,377,993
Interest rate	15,106,000	-	-	15,106,000	-
Other	-	590,745	-	590,745	-

b. By cost and market value

	2016					2015
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	-	-	-	-	-	64,017
Short position	-	-	-	-	-	41,601
Swaps						
Long position	664,797	942,948	189,322	187,476	566,150	1,916,001
Short position	1,002,795	1,236,207	99,013	312,250	824,944	3,484,723
Credit derivatives						
Long position	16,244	16,245	6,083	1,251	8,911	13,587
Short position	1,065	1,065	-	-	1,065	24,626
Non-deliverable forward - NDF						
Long position	3,499,295	3,498,253	3,029,975	463,658	4,620	4,529,603
Short position	1,974,051	1,975,584	1,908,239	50,517	16,828	3,131,362
Deliverable forward - DF						
Long position	5,899,820	5,815,375	5,328,373	320,301	166,701	33,497,215
Short position	5,869,431	5,869,432	5,385,609	320,664	163,159	32,846,270
Security forwards						
Long position	209,890	209,875	9,697	-	200,178	353,813
Short position	209,963	209,978	9,696	-	200,282	353,648
Options market						
Long position	1,415,271	1,427,627	900,596	460,623	66,408	3,778,892
Short position	449,653	352,611	114,407	229,840	8,364	2,444,740
Long position	11,705,317	11,910,323	9,464,046	1,433,309	1,012,968	44,153,128
Short position	9,506,958	9,644,877	7,516,964	913,271	1,214,642	42,326,970

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

c. Notional by counterparty

	2016					2015
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	80,678,582	1,033,719	-	-	81,712,301	65,125,151
Short position	17,141,915	1,120,799	-	-	18,262,714	113,180,183
Swap						
Long position	5,989,584	57,812,049	-	-	63,801,633	85,704,319
Short position	5,989,584	57,812,049	-	-	63,801,633	85,704,319
Credit derivatives						
Long position	-	543,617	-	-	543,617	306,800
Short position	-	93,048	-	-	93,048	315,637
Non-deliverable forward - NDF						
Long position	-	20,471,667	21,028,424	-	41,500,091	70,951,931
Short position	-	20,471,667	21,028,424	-	41,500,091	70,951,931
Deliverable forward - DF						
Long position	-	11,921,089	147	-	11,921,236	176,496,088
Short position	-	11,921,089	147	-	11,921,236	176,496,088
Security forwards						
Long position	-	210,070	-	-	210,070	354,132
Short position	-	210,070	-	-	210,070	354,132
Options market						
Long position	21,139,233	17,126,621	120,652	220,898	38,607,404	47,088,857
Short position	15,289,000	17,571,110	-	105,317	32,965,427	41,715,732
Long position	107,807,399	109,118,832	21,149,223	220,898	238,296,352	446,027,278
Short position	38,420,499	109,199,832	21,028,571	105,317	168,754,219	488,718,022

(i) Includes investments funds.

d. Credit derivatives

	2016	2015
Credit swap		
Transferred risk		
Sovereign	505,161	214,861
Corporate	38,457	91,939
Risk received		
Sovereign	(11,570)	-
Corporate	(81,478)	(315,637)
	450,570	(8,837)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

During the year ended December 31, 2016 and 2015, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at December 31, 2016 is R\$64,237 (December 31, 2015 – R\$41,891).

e. Guarantee margins

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$4,028,663 (December 31, 2015 – R\$8,449,268) and shares in the amount of R\$422,913 (December 31, 2015 – R\$254,030). From the total amount, approximately R\$489,939 refers to additional margin deposited, as requested by BM&F Bovespa, due to volatility observed in function of events previously described, in Note 1.

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&F Bovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).
- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by BM&F Bovespa. Fund quotas are valued based on quota prices disclosed by the custodian.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

10.Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	2016		2015	
	Balance	Allowance	Balance	Allowance
Loans	6,455,431	(500,124)	32,992,690	(1,510,510)
Financing	874,382	(67,174)	1,648,571	(134,145)
FINAME/BNDES	2,643,849	(13,018)	2,424,105	(35,481)
Real estate financing	-	-	16,500,417	(252,824)
Securities financing	107,164	-	3,949,264	-
Total	10,080,826	(580,316)	57,515,047	(1,932,960)

ii. By risk level and maturity

Risk level	2016						2015	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	1,084,152	259,603	1,368,038	2,711,793	-	42,925,533	-
A	7,353	149,588	103,117	2,929,039	3,189,097	(15,450)	7,365,463	(38,297)
B	2	248,709	296,791	587,493	1,132,995	(11,326)	2,681,862	(26,823)
C	1,666	970,337	114,086	94,842	1,180,931	(49,535)	1,277,765	(38,334)
D	14,513	92,135	56,766	1,002,527	1,165,941	(156,310)	1,113,419	(152,121)
E	394,258	36,865	3,004	62,603	496,730	(190,354)	605,856	(183,721)
F	5,870	40,555	11,209	32,281	89,915	(48,324)	103,341	(51,856)
G	14,694	-	-	-	14,694	(10,287)	-	-
H	76,576	18,138	4,011	5	98,730	(98,730)	1,441,808	(1,441,808)
Total	514,932	2,640,479	848,587	6,076,828	10,080,826	(580,316)	57,515,047	(1,932,960)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

iii. By activity sector

Sector	2016	2015
Commerce	234,416	181,042
Industry	331,499	1,684,961
Services	8,473,580	33,356,459
Rural	186,410	348,964
Individuals	854,921	21,943,621
Total	10,080,826	57,515,047

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	2016					2015		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	13	264	277	-	139,893	-
A	-	-	-	-	-	-	74,162	(371)
B	30	1,584	1,453	8,873	11,940	(119)	530,315	(5,303)
C	-	13,720	27,182	43,618	84,520	(2,547)	149,847	(4,495)
D	-	44,776	-	-	44,776	(4,500)	-	-
E	-	-	-	-	-	-	56,786	(22,715)
F	-	-	-	-	-	-	52,388	(25,996)
H	362	-	-	-	362	(362)	63,928	(63,928)
Total	392	60,080	28,648	52,755	141,875	(7,528)	1,067,319	(122,808)

Transferred loans with co-obligations

Securities and credits receivable (note 12(b))

12,848 - 85,436 (2,472)

129,027 (7,528) 981,883 (120,336)

ii. By activity sector

Sector	2016	2015
Industry	362	199
Individuals	-	93,915
Rural	-	75,298
Services	141,513	897,907
Total	141,875	1,067,319

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	2016					2015		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	64,494	-	64,494	-	9,196	-
A	-	-	16,331	-	16,331	(82)	-	-
B	-	-	-	-	-	-	72,863	(879)
C	-	48,182	-	-	48,182	(1,473)	-	-
D	-	51,373	15,740	-	67,113	(8,380)	14,145	(2,733)
E	-	-	-	-	-	-	35,275	(12,246)
H	20,886	-	-	-	20,886	(20,886)	20,886	(20,886)
Total	20,886	99,555	96,565	-	217,006	(30,821)	152,365	(36,744)

ii. By activity sector

Sector	2016	2015
Industry	62,097	56,161
Services	154,909	96,204
Total	217,006	152,365

d. Credit concentration

	2016	%	2015	%
Largest debtors				
10 largest debtors	5,535,513	53%	10,870,689	19%
20 following largest debtors	1,782,333	17%	6,167,356	11%
50 following largest debtors	1,632,127	16%	5,992,042	10%
100 following largest debtors	1,115,806	11%	5,983,466	10%
200 following largest debtors	351,508	3%	6,692,322	11%
500 following largest debtors	21,488	0%	8,174,852	14%
Above 500 following largest debtors	932	0%	14,854,004	25%
Total	10,439,707	100%	58,734,731	100%

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	2016	2015
Opening balances	(2,288,630)	(1,143,438)
Reversal/(accrual) of allowance	(96,976)	(567,723)
Allowance from acquired / sale entity	402,913	(734,726)
Contingencies transfer provision	-	113,278
Exchange rate variation	368,992	(108,164)
Credits written off as loss	778,632	152,143
Closing balances	(835,069)	(2,288,630)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	2016	2015
Breakdown of closing balances		
Allowance for loan losses	(580,316)	(1,932,960)
Allowance for transferred loans	-	(2,472)
Allowance for other receivables (Note 10 (b))	(7,528)	(120,336)
Allowance for advances on foreign exchange contracts	(30,821)	(36,744)
Allowance for guarantes (Note 16)	(216,404)	(196,118)
	<u>(835,069)</u>	<u>(2,288,630)</u>

f. Renegotiation/recovery of credits written off as loss

In December 31, 2016, the amount of R\$1,230,379 were due to credit renegotiation (December 31, 2015 – R\$1,482,587). Also in the year ended December 31, 2016 there were the amount of R\$50,605 due to written off loans recovery (December 31, 2015 – R\$1,414).

g. Transferred loan

In the year ended December 31, 2016 and 2015 there was no credit assignment with co-obligation.

11. Other receivables/obligations

a. Foreign Exchange portfolio

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased/sold	3,914,364	10,531,068	1,599,914	10,251,244
Rights on foreign exchange sales	10,781,197	-	10,167,480	-
(-) Advances on foreign exchange contracts (Note 10 (c))	1,498	(215,508)	3,489	(148,876)
(-) Advances in foreign currency received	(326)	-	(156)	-
(-) Advances in local currency received	(1,280)	-	(234)	-
Liability for foreign exchange purchase	-	4,026,204	-	1,541,474
Total	<u>14,695,453</u>	<u>14,341,764</u>	<u>11,770,493</u>	<u>11,643,842</u>
Current	14,695,453	14,341,764	11,770,493	11,643,842
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through BM&FBovespa – Securities, Commodities and Futures Exchange (BM&FBovespa), are represented by federal government bonds in the amount of R\$390,593 (December 31, 2015 - R\$367,831).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

b. Securities trading and brokerage

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	868,149	392,195	1,157,060	1,108,797
Unsettled financial assets / liabilities	8,624	13,476	17,966	36
Debtors/creditors – pending settlement account	1,875,932	1,320,974	9,223,704	4,167,353
Creditors for stock loans	-	1,276,467	-	5,759,776
Other securities trading and brokerage	38,105	1,098,377	2,507,272	1,618,914
Commissions and brokerage payable	-	469	-	464
Swap brokerage	113	-	139	-
Total	<u>2,790,923</u>	<u>4,101,958</u>	<u>12,906,141</u>	<u>12,655,340</u>
Current	2,790,923	4,101,958	12,906,141	12,655,340
Long-term	-	-	-	-

“Debtors/creditors – pending settlement account” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&F Bovespa, and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties, on the regular term.

“Other securities trading and brokerage” basically represents, in assets, intermediation transactions from time deposits to be settled, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled, on the regular term.

12. Other receivables

a. Income receivable

	2016	2015
Dividends and bonus	17,493	3,947
Receivables from services rendered	536,294	952,767
Management and performance fees for investment funds and portfolio	290,405	787,414
Distribution fees	3,105	11,744
Commissions on guarantees	13,908	11,195
Other	-	25,368
Total	<u>861,205</u>	<u>1,792,435</u>
Current	668,728	1,427,993
Long-term	192,477	364,442

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

b. Sundry

	2016	2015
Deferred tax assets - income and social contribution (note 18)	4,463,246	6,110,480
Deferred tax assets - Others	97,360	355,563
Judicial deposits	1,739,441	1,739,039
Taxes recoverable to offset	711,826	1,588,759
Tax incentive options	1,319	1,319
Securities and credits receivable		
With loan characteristics (note 10 b)	129,027	981,883
Without loan characteristics (i)	548,358	911,551
Investment properties	780,447	697,256
Held for sale	1,781,685	1,176,377
Salaries advances	514,152	96,570
Commodities inventories	-	10,128,757
Sundry (ii)	3,315,871	6,679,290
Advance to suppliers	19,829	1,059,222
Other	14,494	15,031
Total	14,117,055	31,541,097
Current	5,149,017	23,354,131
Long-term	8,968,038	8,186,966

(i) On December 31, 2016, the line above has allowance losses of R\$75,270 (December 31, 2015 – R\$190,636), registered in “Other receivables - Allowance for losses in other receivables”.

(ii) Include receivables from sale of investments.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Shareholders' Equity		Associates and jointly-controlled entities	
	Net income (loss)			
	2016	2015	2016	2015
In Brazil				
Banco Pan S.A.	3,412,162	3,643,797	(237,238)	8,052
Warehouse 1 Empreendimentos Imobiliários S.A.	29,758	40,974	673	(5,621)
Max Casa XIX Empreendimentos Imobiliários S.A.	2,679	23,848	4,879	4,125
ACS Omicron Empreendimentos Imobiliários S.A.	5,705	9,624	(452)	1,344
Pan Seguros S.A.	650,611	673,962	4,542	3,292
Pan Corretora S.A.	67,612	59,961	10,387	10,030
Abroad				
BTG Pactual Holding S.A.R.L.	4,373,293	5,257,130	467,898	1,030,763
Maybroke Holding S.A.	984,727	1,192,369	(10,471)	(36,348)
Engelhart CTP Group S.A.	4,565,815	-	(154,929)	-
EFG International	6,411,200	-	-	-

(i) EFG International preliminary information, determined on sale date of BSI, as described on note 2.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

	Changes in investments				
	2015	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Fair value adjustment	Equity in earnings of subsidiaries
In Brazil					
Banco Pan S.A.	1,376,797	-	-	2,260	(95,731)
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-
Warehouse 1 Empreendimentos Imobs S.A.	14,340	-	(700)	-	(3,226)
Max Casa XIX Empreendimentos Imobs S.A.	11,924	(7,740)	(1,889)	-	(955)
ACS Omicron Empreendimentos Imobs S.A.	4,306	-	-	-	(1,753)
BTG Pactual Vivere Participações S.A.	-	(5,022)	-	-	5,022
Pan Corretora S.A.	30,580	-	-	-	3,902
Pan Seguros S.A.	347,771	-	(16,009)	(5)	51
Rede D'OR São Luiz S.A.	-	-	-	-	-
Goodwill - Rede D'OR São Luiz S.A. (ii)	-	-	-	-	-
Other	-	6,018	-	-	-
Total	<u>1,728,834</u>	<u>(6,744)</u>	<u>(18,598)</u>	<u>2,255</u>	<u>(92,690)</u>
Abroad					
BTG Pactual Holding S.A.R.L. (i)	4,205,704	(1,810,547)	(126,186)	-	(519,653)
Maybroke Holding S.A. (i)	596,094	-	-	-	(101,285)
Engelhart CTP Group S.A. (ii)	-	1,548,417	(162,905)	-	(13,255)
EFG International (ii)	-	1,947,005	-	-	(23,644)
Goodwill - EFG International (ii)	-	1,049,292	-	-	(49,953)
Other non-consolidated BSI entities	91,051	(96,987)	-	(504)	6,440
	<u>4,892,849</u>	<u>2,637,180</u>	<u>(289,091)</u>	<u>(504)</u>	<u>(701,350)</u>
Total	<u>6,621,683</u>	<u>2,630,436</u>	<u>(307,689)</u>	<u>1,751</u>	<u>(794,040)</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to the exchange rate variation.

(ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities. See Note 3 (a), with the effects of BSI S.A. and companies related to Commodities desconsolidation.

14. Intangible assets

	Changes in Intangible assets					2016
	2015	Acquisitions (i)	Write off (ii)	Amortization expenses	Exchange variation	
Goodwill	401,472	1,080,827	(1,069,429)	(165,909)	(54,676)	192,285
Cost	1,066,967	1,080,827	(1,069,429)	-	(114,449)	963,916
Amortization	(665,495)	-	-	(165,909)	59,773	(771,631)
Other intangible assets	492,224	13,376	(155,963)	(156,123)	(19,064)	174,450
Cost	645,219	13,376	(290,861)	-	(31,194)	336,540
Amortization	(152,995)	-	134,898	(156,123)	12,130	(162,090)
Total	<u>893,696</u>	<u>1,094,203</u>	<u>(1,225,392)</u>	<u>(322,032)</u>	<u>(73,740)</u>	<u>366,735</u>

(i) Refers to the adoption of resolution 4,424/15 from BACEN, in January 1, 2016, resulting in the recognition of BSI pension plan deficit.

(ii) Include BSI desconsolidation.

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	7,690,817	3,402,224	4,126,921	80,701	54,667	26,304	86,743,520
Open market funding	24,903,973	22,894,730	1,188,698	133,192	687,353	-	20,308,210
Funds from securities issued and accepted	10,335,702	2,550,129	3,077,078	1,988,758	1,929,984	789,753	19,559,235
Loans and onlending	3,544,822	828,080	171,526	130,701	153,752	2,260,763	8,097,620
Subordinated debts and subordinated debt eligible to equity	11,588,192	-	1,239,548	2,736,509	1,872,957	5,739,178	13,457,635
Total	<u>58,063,506</u>	<u>29,675,163</u>	<u>9,803,771</u>	<u>5,069,861</u>	<u>4,698,713</u>	<u>8,815,998</u>	<u>148,166,220</u>

b. Deposits

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	128,552	128,552	-	-	-	-	64,196,932
Interbank deposits	226,135	99,411	72,395	49,744	4,585	-	1,475,367
Time deposits (i)	7,336,130	3,174,261	4,054,526	30,957	50,082	26,304	21,071,221
Total	<u>7,690,817</u>	<u>3,402,224</u>	<u>4,126,921</u>	<u>80,701</u>	<u>54,667</u>	<u>26,304</u>	<u>86,743,520</u>

(i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. The deposits were indexed to interest referenced rates (DCI) between 100% p.a and 120% p.a.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

On December 4, 2015 a Memorandum of Understanding with the Fundo Garantidor de Créditos – FGC was executed to extend a credit line up to the amount of R\$6,0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. On October 19, 2016, the financial assistance line obtained from FGC, had fully paid.

c. Open market funding

Open market funding has collateral on the following securities:

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	7,793,086	6,498,409	1,188,698	105,979	-	-	8,432,562
Federal government bonds	4,954,568	4,954,568	-	-	-	-	6,732,642
Corporate securities	2,694,044	1,399,367	1,188,698	105,979	-	-	1,699,920
Foreign government bonds	144,474	144,474	-	-	-	-	-
Third-party portfolio	12,967,472	12,967,472	-	-	-	-	6,244,030
Federal government bonds	12,894,050	12,894,050	-	-	-	-	6,235,603
Corporate bonds	50,747	50,747	-	-	-	-	8,427
Foreign government bonds	22,675	22,675	-	-	-	-	-
Unrestricted portfolio (i)	4,143,415	3,428,849	-	27,213	687,353	-	5,631,618
Federal government bonds	4,054,539	3,339,973	-	27,213	687,353	-	5,631,618
Foreign government bonds	88,876	88,876	-	-	-	-	-
Total	24,903,973	22,894,730	1,188,698	133,192	687,353	-	20,308,210

(i) From the unrestricted portfolio, R\$3,730,531 (December 31, 2015 – R\$3,042,507) refers to short position and R\$412,884 (December 31, 2015 – R\$2,589,111) to third-party portfolio.

d. Funds from securities issued and accepted

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	7,841,631	2,548,757	2,736,198	1,946,894	502,079	107,703	12,956,775
Financial bills	6,865,263	2,249,463	2,157,827	1,855,077	495,193	107,703	11,349,904
Mortgage bonds/letters of credit for agribusiness	964,695	290,612	575,380	91,817	6,886	-	1,588,789
Certificates of structured transactions	11,673	8,682	2,991	-	-	-	18,082
Securities – abroad	2,494,071	1,372	340,880	41,864	1,427,905	682,050	6,602,460
Medium term notes	2,351,264	-	300,999	13,362	1,414,633	622,270	6,295,976
Fixed rate notes and others	142,807	1,372	39,881	28,502	13,272	59,780	306,484
Total	10,335,702	2,550,129	3,077,078	1,988,758	1,929,984	789,753	19,559,235

(i) During the year ended December 31, 2016, gains in the amount of R\$203,764 (December 31, 2015 – R\$356,083) were recognized by the Bank, as a result of notes acquired below bar.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

As at December 31, 2016, securities in Brazil were basically indexed to interest referenced rates (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a. (December 31, 2015 – indexed to (CDI) between 86% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a.).

On December 31, 2016, securities abroad have rates between 1.45% p.a. and 8.0% p.a. (December 31, 2015 – between 1.2% p.a. and 7% p.a.).

e. Loans and onlending

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	768,480	704,928	63,552	-	-	-	4,884,242
Foreign currency	63,552	-	63,552	-	-	-	156,164
Loans abroad	704,928	704,928	-	-	-	-	4,728,078
Loans - Brazil	163,771	115,352	48,419	-	-	-	817,332
Loans	163,771	115,352	48,419	-	-	-	817,332
Onlending in Brazil	2,612,571	7,800	59,555	130,701	153,752	2,260,763	2,396,046
FINAME/BNDES	2,612,571	7,800	59,555	130,701	153,752	2,260,763	2,396,046
Total	3,544,822	828,080	171,526	130,701	153,752	2,260,763	8,097,620

On December 31, 2016, loans and onlending have rates of 0.25% p.a. and 6.4% a.a. (December 31, 2015 – between 0.73% p.a. and 6% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2016					2015
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	5,842,192	6,084,767
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,440,798	1,821,507
Subordinated debt - CHF	100,000	23/12/2011	23/12/2021	5.25%	-	390,964
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	September 2019	8.75%	4,305,202	5,160,397
Total					11,588,192	13,457,635

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) During the year ended December 31, 2016, gains in the amount of R\$43,619 (December 31, 2015 – R\$67.108) were recognized by the Bank, as a result of notes acquired below bar.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

16. Other obligations

a. Social and statutory

	2016	2015
Dividends and profit sharing payable	894,208	653,401
Employees' profit sharing	307,640	1,002,030
Other benefits	255,705	222,378
Total	<u>1,457,553</u>	<u>1,877,809</u>
Current	1,457,553	1,877,809
Long term	-	-

b. Tax and social security

	2016	2015
Tax and contributions to be collected	282,360	375,922
Tax and contribution payable	98,144	1,403,539
Deferred social contribution and income tax (Note 18)	78,535	410,370
Deferred PIS and COFINS	5,429	70,649
Suspended-payment taxes and others tax liabilities (Note 17 (c))	1,623,739	1,483,735
Total	<u>2,088,207</u>	<u>3,744,215</u>
Current	326,911	2,286,615
Long term	1,761,296	1,457,600

c. Sundry

	2016	2015
Payable for acquisition of assets and rights (i)	1,084,923	1,041,588
Accounts payable - personnel	183,765	1,368,810
Provision for contingent liabilities (Note 17(c))	442,505	872,048
Obligations collateralized in physical commodities	-	5,209,221
Trade payables for commodities	-	1,141,893
Other creditors - Brazil	1,809,643	1,787,307
Other creditors - Abroad	192,482	1,677,909
Allowance for guarantees (Note 10(e))	216,404	196,118
Obligations related to transferred loans	15,321	492,317
Other	42,623	82,508
Total	<u>3,987,666</u>	<u>13,869,719</u>
Current	1,830,505	10,091,231
Long term	2,157,161	3,778,488

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

17. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' Management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at December 31, 2016 and 2015, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are recorded based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counselors and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at December 31, 2016 are appropriate to cover probable losses arising therefrom.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

The provisions recognized and their changes are as follows for the year ended December 31:

	2016				2015
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,483,735	842,552	29,496	2,355,783	2,141,233
Recognition	181,101	516,330	29,428	726,859	523,613
Companies desconsolidated (BSI)	-	(538,086)	-	(538,086)	212,068
Write-off	(41,097)	(413,300)	(23,915)	(478,312)	(521,131)
Balance at the end of the year	1,623,739	407,496	35,009	2,066,244	2,355,783
Suspended-payment taxes				1,623,739	1,483,735
Other taxes contingencies and Provision for contingent liabilities				442,505	872,048

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

BTG Pactual Group has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a probable loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

COFINS ("Social security financing tax") - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSL ("Social contribution tax") - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at December 31, 2016, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$992 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of BM&F Bovespa, challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$20 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

- In October 2012, we received a tax assessment, which in December 31, 2016 totaled R\$2,324 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,810 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

ii. Provision for other contingent liabilities

As at December 31, 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

	2016	2015
Income tax and social contribution		
Tax base	3,083,007	2,303,143
Income before taxes and profit sharing	5,194,519	3,837,594
Statutory profit sharing	(721,512)	(1,534,451)
Interest on equity	(1,390,000)	(914,754)
Total charge of income tax and social contribution at the current rates	(1,499,671)	(555,356)
Permanent (additions) / deductions in taxation calculation	(191,770)	2,092,350
Equity pick up in associated and jointly controlled companies in Brazil	102,459	(205,379)
Income/(loss) of foreign exchange on foreign investments	(673,580)	2,065,706
Foreign earnings	147,621	(203,245)
Dividends	82,975	137,903
Other Permanent (additions) / deductions	148,755	297,365
Temporary (additions) / deductions on the taxation calculation	1,596,145	(3,194,627)
Reversal of provision for goodwill on the acquisition of investments	128,032	128,445
Interest on equity	(401,328)	119,280
Fair value of securities and derivatives	1,752,933	(2,997,685)
Allowance for loan losses	(84,128)	(373,225)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

	2016	2015
Tax contingencies and provision for suspended-payment taxes	(4,502)	13,763
Other provisions	205,138	(85,205)
Increase in CSLL - 5%	-	(61,352)
Offset of tax losses carry forward - Brazil	(252,565)	(27,832)
Tax and social contribution expense	(347,861)	(1,746,817)
Temporary differences		
Recognition / (reversal) of the year	(1,596,191)	3,085,447
Recognition on goodwill on investments	362,217	-
Recognition / (reversal) of tax losses carry forward	532,049	314,281
Recognition on foreign companies tax losses carry forward	(110,989)	396,533
Recognition / (reversal) of loss on investment abroad	30,382	545,025
Other temporary differences	17,467	565,090
Revenues / (Expenses) from deferred taxes	(765,065)	4,906,376
Total revenues / (expenses)	(1,112,926)	3,159,559

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	2015	Recognition	Realization (i)	2016
Tax loss	827,919	633,964	(81,248)	1,380,635
Interest on equity	-	400,500	-	400,500
Allowance for loan losses	837,220	222,999	(181,496)	878,723
Fair value of securities and derivatives	3,042,574	15,166,041	(16,836,405)	1,372,210
Goodwill on the acquisition of investment	150,228	-	(133,381)	16,847
Tax contingencies and provision for suspended-payment taxes	187,143	-	-	187,143
Other temporary differences	569,038	105,895	(448,080)	226,853
	5,614,122	16,529,399	(17,680,610)	4,462,911
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	14,045	-	(13,710)	335
Others	107,160	-	(107,160)	-
Total	5,735,327	16,529,399	(17,801,480)	4,463,246
Income tax and social contribution	2014	Recognition	Realization (i)	2015
Tax loss carryforwards	308,155	577,247	(57,483)	827,919
Interest on equity	119,280	-	(119,280)	-
Allowance for loan losses	371,358	621,096	(155,234)	837,220
Fair value of securities and derivatives	288,315	14,912,132	(12,157,873)	3,042,574
Goodwill on the acquisition of investment	266,639	12,033	(128,444)	150,228
Tax contingencies and provision for suspended-payment taxes	197,671	4,082	(14,610)	187,143
Other temporary differences	119,463	835,593	(386,018)	569,038
	1,670,881	16,962,183	(13,018,942)	5,614,122
Recognized on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	-	14,045	-	14,045
Others	-	107,160	-	107,160
Total	1,670,881	17,083,388	(13,018,942)	5,735,327

(i) On December 31, 2016, the amount of R\$388,700 (December 31, 2015 – R\$587,981), refers to recovery paid taxes from investments abroad.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2017	1,447,073	297,435	1,744,508
2018	1,418,858	329,295	1,748,153
2019	-	421,306	421,306
2020	-	281,740	281,740
2021 onwards	216,680	50,859	267,539
Total	3,082,611	1,380,635	4,463,246
Present value	2,795,845	904,092	3,699,937

As at December 31, 2016 tax credits in the amount of R\$900,948 (December 31, 2015 – R\$1,323,501), from tax losses calculated between the period of 1993 and 2010, were not recorded on the subsidiary, Banco Sistema S.A. (formerly named Banco Bamerindus do Brasil S.A.). These tax credits will be registered, when they attend regulatory aspects and demonstrate realization perspective, in accordance with the management studies and analysis and BACEN standards.

Deferred income tax and social contribution liabilities amounts to R\$78,535 (December 31, 2015 - R\$410,370), according to note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

19.Shareholders equity

a. Capital

As at December 31, 2016, fully subscribed and paid in capital consists of 3,406,544,075 shares (December 31, 2015 – 2,756,103,006), of which 1,718,895,529 common shares (December 31, 2015 – 1,404,405,002), 431.840.524 class A preferred shares (December 31, 2015 – 535,847,600), 449,356,339 class B preferred shares (December 31, 2015 – 815,850,404), 806,451,683 class C preferred shares (December 31, 2015 – Nil) all no-par, registered shares.

At Special General Meeting held on September 6, 2016, was approved capital increase, through the capitalization of statutory reserves, in the amount of R\$4,000,000, with issuance of 817,526,483 class C preferred shares, by way of stock dividend, both nominative and without par value.

At Special General Meeting held on September 15, 2015, was approved capital increase of R\$773,663, with issuance of 33,634,410 common shares and 67,268,820 Class A preferred shares, both nominative and without par value.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

The Class A Preferred Shares shall have the right to be included in acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Bank's Shareholders' Agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

b. Treasury shares

During the year ended December 31, 2016, the Bank repurchased 137,483,124 shares, in the amount of R\$593,285, and canceled 119,792,424 shares, in the amount of R\$654,845, due to approved program.

c. Legal reserve

This reserve is established at the rate of 5% of net income for the year, before any other allocation, limited to 20% of capital.

d. Statutory reserve

According to the Bank's Bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of capital.

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

f. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income adjusted in accordance with Article 202 of Law 6404/76.

As at February 25, 2015, the Bank has approved the distribution of dividends, in the amount of R\$106,130, equivalent to R\$0.04 per share, which refers to prior periods. The payment of such dividends, occurred on March 10, 2015.

As at August 05, 2015, the Bank has approved the distribution of dividends in the amount of R\$47,324, equivalent to R\$0.2 per share. The payment of such dividends, occurred on August 20, 2015.

As at June 30, 2015 the Bank has accrued R\$500,000 (June 30, 2015 - R\$422,000), relating to interest on equity, equivalent to R\$0.19 (June 30, 2015 - R\$0.16) per share, which generated R\$225,000 (June 30, 2015 - R\$168,800) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2016, and the payment occurred on November 9, 2016.

As at December 29, 2016 the Bank has accrued R\$890,000 (December 31, 2015 - R\$492,754), relating to interest on equity, equivalent to R\$0.32 (December 31, 2015 - R\$0.18) per share, which generated R\$400,500 (December 31, 2015 - R\$197,102) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 29, 2016.

g. Reconciliation of net income (loss) and shareholders equity

	Shareholders' equity		Net income	
	2016	2015	2016	2015
Banco BTG Pactual S.A.	17,672,754	19,658,799	3,408,583	5,623,498
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (*)	54,465	54,465	-	-
Banco BTG Pactual S.A. Consolidated	17,727,219	19,713,264	3,408,583	5,623,498

(*) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

20. Income from services rendered

	2016	2015
Management and performance fee from investment funds and portfolios	1,157,649	1,822,961
Brokerage	473,351	381,150
Technical services	685,833	827,109
Commission on the placement of securities	144,675	221,402
Guarantees	226,422	235,395
Other services	9,853	17,508
Total	2,697,783	3,505,525

21. Other operating income

	2016	2015
Recovery of charges and expenses	9,723	19,329
Reversal of provision - other	69,265	117,720
Reversal of provision - contingencies	277,870	562,192
Adjustment to inflation of judicial deposits	304,925	312,895
Foreign exchange rate gains	256,184	288,504
Fair value of assets held for sale	-	560,582
Warehousing revenues	84,996	51,943
Adjustment of amounts payable for acquisition of investments	220,948	217,269
Other operating income	42,877	106,033
Total	1,266,788	2,236,467

22. Other operating expenses

	2016	2015
Tax restatement expense	93,003	175,364
Foreign exchange rate losses	457,633	404,298
Reimbursement of clients	25,865	11,085
Monetary restatement expense	6,902	45,302
Adjustment of amounts payable for acquisition of investments	147,352	247,009
Goodwill amortization (i)	165,909	188,145
Discounts granted in renegotiation	76,419	303,727
Allowance for other receivables without loan characteristics	134,090	184,708
Net expenses of physical commodities	233,671	272,766
Other	16,276	195,699
Total	1,357,120	2,028,103

(i) There was basically goodwill amortization from Celfin.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2016

(In thousands of reais, otherwise indicated)

23. Other administrative expenses

	2016	2015
Outsourced services and consulting	871,330	743,112
Telecommunications and data processing	379,438	413,789
Leases and condominiums	165,172	160,095
Travel and lodging	60,388	108,881
Expenses of the financial system	323,769	369,906
Advertising and public relations	52,489	71,394
Depreciation and amortization	225,473	174,611
Other	56,787	50,958
Total	2,134,846	2,092,746

24. Non-operating income

Refers basically to the earnings from sale of investments or adjustments arising from receivables from investments, as described on note 2.

25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

	Parent company		Subsidiaries and joint controlled entities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Open market investments	-	-	527,100	630,001	527,100	630,001
Interbank investments						
deposits	-	-	435,000	310,000	435,000	310,000
Securities	-	-	237,547	223,402	237,547	223,402
Derivative financial instruments	8,275	-	3,658	-	11,933	-
Loans and Receivables	987,295	515,237	971,297	3,663,406	1,958,592	4,178,643
Liabilities						
Interbank deposits	(58)	(190)	-	-	(698,430)	(1,571,659)
Time deposits	(108,658)	(2,493)	(7,747)	(783,336)	(116,405)	(785,829)
Open market funding	-	(1,473)	-	-	-	(1,473)
Securities issued abroad	-	-	(1,723,067)	(2,334,584)	(1,723,067)	(2,334,584)
Derivative financial instruments	(483)	-	(13,399)	(346,714)	(13,882)	(346,714)
Sundry	-	(102,916)	(3,658)	-	(3,658)	(102,916)
Statements of income						
Financial income	74,431	70,286	471,955	369,892	546,386	440,178
Financial expenses	(6,887)	(9,264)	(163,175)	(449,965)	(170,062)	(459,228)
Other operating income	-	-	271	105,214	271	105,214

Total compensation paid to key management personnel totaling this period R\$5,460 (December 31, 2015 – R\$68,930) which is considered short term benefit.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

26. Other information

a. Cash and cash equivalents

Balances at beginning of the year

	2016	2015
Cash and cash equivalents	20,490,900	1,585,254
Open market investments	9,073,969	16,356,157
Interbank deposits	8,864,471	4,480,899
Total	38,429,340	22,422,310

Balances of end of the year

	2016	2015
Cash and cash equivalents	674,114	20,490,900
Open market investments	11,360,730	9,073,969
Interbank deposits	1,938,904	8,864,471
Total	13,973,748	38,429,340

b. Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

	2016	2015
Co-obligation and risks for guarantees granted	35,969,487	47,235,738
Responsibility for the management of futures and investment portfolio (i)	160,360,167	293,199,570
Securities	33,533,341	35,765,526
Securities under custody	1,117,738,333	1,106,442,487
Securities trading and brokerage	1,324,544,222	1,879,311,558
Loans contract to release	297,675	940,768
Commitments to be released	47,700	128,280

(i) Recognized by the sum of the equity values of funds and investment portfolios

"Co-obligations and risks for guarantees granted" mainly comprises guarantees granted or assets allocated to exchange trading securities.

"Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

"Securities trading and brokerage" represents amounts from derivatives purchase and sale agreements related to third-party transactions.

"Loans contracted to release" register amounts related to loans contracted with clients to release.

The item "Commitments to be released" registers amounts related to the financial commitments of the Bank with its investees.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2016
(In thousands of reais, otherwise indicated)

27.Subsequent events

On January 2017, the shareholders of BTG Pactual and BTG Pactual Comercializadora Ltda. approved, without qualification, the merger of BTG Comercializadora by the Bank. Completion of the merger is subject to regulatory approvals.

On January 27, 2017, BTG Pactual and BTGP informed their shareholders and the market in general that they are currently evaluating the potential effects of the independent trading of the securities issued by the Companies, seeking to address, among other things, (i) greater transparency of the assets of each of the Companies, with clearer differentiation between the banking and asset management activities performed by BTG Pactual and the private equity investment vehicle activities performed by BTGP, (ii) the possibility of greater liquidity for securities issued by BTG Pactual, which securities, if traded without a corresponding interest in BTGP, would become eligible to be incorporated into major trading indexes (which currently is not permitted by applicable rules), and could also be targeted as an investment by a broader range of potential investors, and (iii) the specific context of each of the Companies, particularly with respect to their capital structures.

On February 14, 2017, date of completion of these financial statements, the Companies issued a material fact informing to the market the conclusion of the aforementioned intention.

On February 2, 2016, given that it is impossible to comply with some conditions precedent, the sale transactions of the interest entirely held by BTG Pactual in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. to CNP Assurances S.A. will therefore not be concluded.

On February 6, 2017, the sale transaction of Maybrooke equity interest was settled.

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

December 31, 2015

With independent auditors' report on consolidated financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2015

Contents

Independent auditors' report on consolidated financial statements.....	F-122
Consolidated balance sheets	F-125
Consolidated statements of income	F-127
Statements of changes in shareholders' equity – Parent company.....	F-128
Consolidated statements of cash flows	F-129
Consolidated statements of value added	F-130
Notes to the consolidated financial statements	F-131

A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent Auditors' Report on consolidated financial statements

To the Shareholders and Management of
Banco BTG Pactual S.A. and its subsidiaries
Rio de Janeiro - RJ

We have audited the consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries (the "Bank"), which comprise the consolidated balance sheet as of December 31, 2015 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Bank's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. and its subsidiaries at December 31, 2015, the consolidated performance of its operations and its respective consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Emphases of matters

1. As of December 31, 2015, the jointly controlled subsidiary Banco Pan S.A. had deferred tax assets recorded on its balance sheet amounting to R\$ 3.1 billion, recognized based on long-term deferred tax realization projection. This projection was reviewed by Banco Pan S.A.'s management based on current and future scenarios analysis and approved by its Board of Directors on February 1st, 2016, for which the main assumptions used were the macroeconomics indexes for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management of Banco Pan S.A. Our opinion is not qualified with respect to this matter.
2. We draw attention to Note nº 1 to the financial statements, which indicates that the Bank has been affected by a series of media news regarding its main shareholder and former key member of senior management. The referred Note also includes relevant information which impacts the Bank's operations, the investigation process, and measures implemented to maintain liquidity related to dividend distributions, among other information. Our opinion is not qualified with respect to this matter.

Other matters

Consolidated statement of value added

We have also audited the consolidated statement of value added (SVA), for the year ended December 31, 2015, prepared under the responsibility of Bank's management, for which the financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices applicable to institutions accredited by the Central Bank of Brazil. This statement was subject to the same audit procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the consolidated financial statements taken as a whole.

Individual financial statements

The Bank has prepared a full set of individual financial statements as of December 31, 2015 and for the year then ended in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil for which we issued an unqualified separate independent auditors' report, with the same emphases of matters described above, dated February 19, 2016.

Rio de Janeiro, February 19, 2016.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP 015.199/F-6



Rodrigo De Paula
Accountant CRC – 1SP 224.036/O-8



Grégory Gobetti
Accountant CRC – 1PR 039.144/O-8

A free translation from Portuguese into English of the consolidated financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and in Reais

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31

(In thousands of reais)

	Note	2015	2014
Assets			
Current assets		202,278,228	124,598,046
Cash at banks	6	20,490,900	1,585,254
Short-term interbank investments	7	32,584,347	37,158,444
Open market investments		17,381,711	32,548,396
Interbank deposits		15,202,636	4,610,048
Securities and derivative financial instruments		62,421,102	50,079,671
Own portfolio	8	14,421,545	17,342,101
Subject to repurchase agreements	8	3,406,152	3,217,771
Subject to unrestricted repurchase agreements	8	591,054	529,059
Derivative financial instruments	9	37,722,151	27,360,156
Subject to guarantees	8	6,280,200	1,630,584
Interbank transactions		1,594,814	1,162,128
Unsettled receipts and payments		-	1,145,666
Deposits in the Central Bank of Brazil		1,594,814	-
Restricted credits – National Housing System		-	16,380
Correspondent banks		-	82
Loans	10	36,155,866	7,992,259
Loans		37,563,511	8,054,765
Transferred loans with coobligation		85,436	176,698
Allowance for loan losses		(1,493,081)	(239,204)
Other receivables		49,101,502	26,441,248
Foreign exchange portfolio	11	11,770,493	9,350,680
Income receivable	12	1,427,993	891,183
Securities trading and brokerage	11	12,906,141	9,850,147
Sundry	12	23,354,131	7,521,909
Allowance for losses on other receivables	10	(357,256)	(1,172,671)
Other assets		(70,303)	179,042
Temporary investments		52,149	52,149
Other assets		3,371	145,069
Prepaid expenses		(78,654)	35,949
Provision for losses		(47,169)	(54,125)
Long-term-assets		43,953,356	31,766,016
Long-term interbank investments	7	2,193	13,197
Interbank deposits		2,193	13,197
Securities and derivative financial instruments		15,247,900	17,658,670
Own portfolio	8	1,173,681	5,944,958
Derivative financial instruments	9	6,430,977	4,416,348
Subject to repurchase agreements	8	4,852,313	5,666,731
Subject to guarantees	8	2,790,929	1,630,633
Interbank transactions		326,436	1,853
Restricted credits – National Housing System		326,436	1,853
Loans	10	19,509,185	8,210,724
Loans		19,951,536	8,831,443
Allowance for loan losses		(442,351)	(620,719)
Other receivables		8,544,765	5,841,077
Income receivable	12	364,442	567,161
Securities trading and brokerage	11	-	1,381,419
Sundry	12	8,186,966	3,908,524
Allowance for losses on other receivables	10	(6,643)	(16,027)
Other assets		322,877	40,495
Other assets		109,342	-
Prepaid expenses		213,535	40,495
Permanent assets		8,317,098	6,298,796
Investments		6,659,435	5,433,738
Investments in associates and jointly controlled entities - in Brazil	13	1,728,834	1,760,301
Investments in associates and jointly controlled entities - abroad	13	4,892,849	3,632,684
Other investments		41,250	44,989
Allowance for losses		(3,498)	(4,236)
Property and equipment in use		738,347	138,437
Property in use		434,228	6,831
Other property and equipment in use		475,075	241,352
Accumulated depreciation		(170,956)	(109,746)
Deferred charges		25,620	22,209
Amortization and expansion costs		79,340	65,510
Accumulated amortization		(63,720)	(43,301)
Intangible assets	14	893,696	704,412
Other intangible assets		1,712,186	1,178,705
Accumulated amortization		(818,490)	(474,293)
Total assets		254,548,682	162,662,858

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31

(In thousands of reais)

	Note	2015	2014
Liabilities			
Current liabilities		189,342,301	108,393,275
Deposits	15	81,973,054	17,694,167
Demand deposits		64,196,932	168,293
Interbank deposits		1,386,036	665,026
Time deposits		16,390,086	16,860,848
Open market funding	15	17,114,887	33,949,253
Own portfolio		8,067,513	8,597,541
Third-party portfolio		6,244,030	15,997,364
Free trading portfolio		2,803,344	9,354,348
Funds from securities issued and accepted	15	9,038,926	8,010,538
Real estate, mortgage, credit and similar notes		6,632,767	5,110,771
Securities issued abroad		2,388,077	2,867,941
Certificates of structured transactions		18,082	31,826
Interbank transactions		7,168	3,063
Unsettled receipts and payments		7,168	3,063
Loans and onlending	15	5,583,459	5,220,324
Loans abroad		4,882,620	4,411,664
Loans in Brazil		660,264	799,240
Onlending in Brazil		40,575	9,520
Derivative financial instruments	9	36,017,438	25,910,382
Derivative financial instruments		36,017,438	25,910,382
Other liabilities		39,607,369	17,605,548
Collection and payments of tax and similar charges		4,390	3,481
Foreign exchange portfolio	11	11,643,842	8,595,204
Social and statutory	16	1,877,809	1,208,328
Tax and social security	16	2,286,615	1,201,539
Securities trading and brokerage	11	12,655,340	4,632,474
Subordinated debt	15	1,048,142	-
Sundry	16	10,091,231	1,964,522
Long-term liabilities		44,953,372	38,772,355
Deposits	15	4,770,466	1,598,129
Interbank deposits		89,331	104,793
Time deposits		4,681,135	1,493,336
Open market funding	15	3,193,323	4,451,109
Own portfolio		365,049	418,271
Third-party portfolio		-	568,180
Free trading portfolio		2,828,274	3,464,658
Funds from securities issued and accepted	15	10,520,309	12,773,231
Real estate, mortgage, credit and similar notes		6,305,926	8,190,632
Securities issued abroad		4,214,383	4,582,599
Loans and onlending	15	2,514,161	1,648,303
Loans abroad		1,622	-
Loans in Brazil		157,068	-
Onlending in Brazil		2,355,471	1,648,303
Derivative financial instruments	9	6,309,532	4,164,370
Derivative financial instruments		6,309,532	4,164,370
Other liabilities		17,645,581	14,137,213
Tax and social security	16	1,457,600	1,231,571
Subordinated debt	15	7,249,096	7,418,556
Debt instrument eligible to capital	15	5,160,397	3,497,836
Sundry	16	3,778,488	1,989,250
Deferred income		310,375	171,144
Non-controlling interest		229,370	592,757
Shareholders' equity	19	19,713,264	14,733,327
Capital - domiciled in Brazil		4,687,290	4,687,289
Capital - domiciled Abroad		2,493,236	1,719,574
Fair value of assets available for sale		143,614	40,442
Income reserves		12,521,518	8,286,022
Treasury shares		(132,394)	-
Total Liabilities and Shareholders' equity		254,548,682	162,662,858

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Years ended December 31

(In thousands of reais, except net income per share)

	Note	2015	2014
Financial income		15,564,982	13,328,255
Loans		3,118,748	2,289,482
Securities		10,251,463	7,916,378
Derivative financial instruments		2,068,430	2,182,237
Foreign Exchange		-	914,944
Mandatory investments		126,341	25,214
Financial expenses		(15,767,389)	(10,643,823)
Funding operations		(9,236,708)	(7,972,826)
Borrowing and onlending		(5,880,030)	(2,152,458)
Foreign Exchange		(82,928)	-
Allowance for loan losses and other receivables	10	(567,723)	(518,539)
Net financial income / (loss)		(202,407)	2,684,432
Other operating income / (expenses)		1,302,893	1,225,239
Income from services rendered	20	3,505,525	2,918,033
Personnel expenses		(1,633,895)	(770,975)
Other administrative expenses	23	(2,092,746)	(1,349,975)
Tax charges		(191,085)	(298,356)
Equity in the earnings of associates and jointly controlled entities	13	1,506,730	528,536
Other operating income	21	2,236,467	640,332
Other operating expenses	22	(2,028,103)	(442,356)
Operating income		1,100,486	3,909,671
Non-operating income	2	2,737,108	38,315
Income before taxation and profit sharing		3,837,594	3,947,986
Income tax and social contribution	18	3,159,559	86,421
Provision for income tax		(1,293,737)	(709,163)
Provision for social contribution		(453,080)	(231,040)
Deferred income tax and social contribution		4,906,376	1,026,624
Statutory profit sharing		(1,534,451)	(881,099)
Non-controlling interest		160,796	215,938
Net income for the year		5,623,498	3,369,246
Interest on equity	19	(914,754)	(600,000)
Weighted average numbers of share outstanding		2,748,536,622	2,714,902,212
Net income per share - R\$		2.05	1.24

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – Parent company

Years ended December 31

(In thousands of reais, except for dividends and interest on equity per share)

			Income reserves				
	Note	Capital	Legal	Unrealized	Statutory	Total	Fair value adjustments
Balances as at December 31, 2013		6,406,863	458,187	1,078,592	4,073,264	5,610,043	57,543
Changes in fair value of assets available for sale		-	-	-	-	-	(12,854)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	(4,247)
Intermediate interest on equity (R\$0.11 per share)		-	-	-	-	-	-
Intermediate dividends (R\$0.05 per share)		-	-	-	-	-	-
Net income for the year		-	-	-	-	-	-
Net income allocation							
Income reserve		-	168,408	1,388,515	1,064,591	2,621,514	-
Interest on equity (R\$0.11 per share)	19	-	-	-	-	-	-
Balances as at December 31, 2014		<u>6,406,863</u>	<u>626,595</u>	<u>2,467,107</u>	<u>5,137,855</u>	<u>8,231,557</u>	<u>40,442</u>
Balances as at December 31, 2014		6,406,863	626,595	2,467,107	5,137,855	8,231,557	40,442
Capital increase	19	773,663	-	-	-	-	-
Own shares acquired	1	-	-	-	-	-	-
Own shares sold	1	-	-	-	(319,794)	(319,794)	-
Changes in fair value of assets available for sale		-	-	-	-	-	107,342
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	(4,170)
Intermediate interest on equity (R\$0.16 per share)		-	-	-	-	-	-
Dividends paid by previous years (R\$0.04 per share)	19	-	-	-	(106,130)	(106,130)	-
Intermediate dividends (R\$0.02 per share)	19	-	-	-	(47,324)	(47,324)	-
Net income for the year		-	-	-	-	-	-
Net income allocation							
Income reserve		-	281,175	2,922,002	1,505,567	4,708,744	-
Interest on equity (R\$0.18 per share)	19	-	-	-	-	-	-
Balances as at December 31, 2015		<u>7,180,526</u>	<u>907,770</u>	<u>5,389,109</u>	<u>6,170,174</u>	<u>12,467,053</u>	<u>143,614</u>

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19(g).

The accompanying notes are an integral part of the consolidated financial statements

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Years ended December 31

(In thousands of reais)

	Note	2015	2014
Operating activities			
Net income for the year		5,623,498	3,369,246
Adjusts to net income		(3,977,849)	281,720
Equity pick up from associates and jointly controlled entities	13	(1,506,730)	(528,536)
Interest expense with subordinated debt		2,876,070	1,636,901
Deferred income tax and social contribution		(4,906,376)	(1,026,624)
Goodwill amortization	22	208,216	167,611
Goodwill exchange variation	14	(172,914)	7,701
Gain on fair value of investment properties	21	-	(42,753)
Fair value of assets held for sale		(560,581)	-
Permanent assets exchange variation		(24,852)	-
Depreciation and amortization	23	109,318	67,420
Adjusted net income for the year		1,645,649	3,650,966
Increase/decrease in operational activities			
Short-term interbank investments		16,910,776	(2,203,397)
Securities and derivative financial instruments		6,540,025	(1,241,406)
Loans		12,357,632	(1,080,881)
Other receivables and other assets		(19,915,717)	713,344
Interbank transactions		(753,164)	23,737
Other liabilities		8,907,243	(4,385,842)
Deferred income		139,231	(7,207)
Deposits		(8,288,467)	1,639,593
Open market funding		(20,132,979)	7,107,055
Loans and onlending		1,228,993	1,788,160
Cash (used in) / provide by operating activities		(1,360,778)	6,004,122
Investing activities			
Acquisition of other investment		-	63,723
Sale of other investment		3,739	-
Sale of investments	13	399,639	198,474
Acquisition of equity interests	13	(1,301,792)	(1,262,115)
Dividends and interest on equity received	13	299,458	89,438
Acquisition of property and deferred charges		(97,051)	(86,804)
Sale of property and deferred charges		54,390	40,439
Acquisition of intangible assets	14	(12,588)	(93,858)
Assets transfer, held for sale		485,614	-
Business combination, net of cash		20,008,032	(471,222)
Sale of intangible assets	14	3,294	149
Cash provided / (used in) by investing activities		19,842,735	(1,521,776)
Financing activities			
Acquisition / sale of treasury shares		(452,188)	-
Funds from securities issued and accepted		(1,224,534)	5,222,880
Subordinated debt and debt instrument eligible to equity		(334,827)	2,530,775
Non-controlling interest		(363,387)	258,674
Capital increase	19	773,663	-
Interest on equity	19	(720,200)	(548,700)
Dividends distributed	19	(153,454)	(278,830)
Cash (used in) / provided by financing activities		(2,474,927)	7,184,799
Increase in cash and cash equivalents		16,007,030	11,667,145
Balance of cash and cash equivalents	25		
At the beginning of the year		22,422,310	10,755,165
At the end of the year		38,429,340	22,422,310
Increase in cash and cash equivalents		16,007,030	11,667,145
Non-cash transaction			
Interest on equity		492,754	298,200
Debentures converted		(985,979)	-
Credit renegotiation		1,202,770	-
Changes in fair value of assets available for sale in jointly controlled entities		(4,170)	(4,247)
Assets transfer, held for sale		1,200,100	-

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Years ended December 31

(In thousands of reais)

	2015	2014
Income	21,448,256	15,964,040
Financial brokerage	15,564,982	13,328,255
Services rendered	3,505,525	2,918,033
Allowance for loan losses and other receivables	(567,723)	(518,539)
Other	2,945,472	236,291
Expenses	(15,199,666)	(10,125,284)
Financial brokerage	(15,199,666)	(10,125,284)
Inputs acquired from third parties	(1,770,477)	(1,186,481)
Materials, energy and other	(20,244)	(13,039)
Outsourced services	(1,750,233)	(1,173,442)
Gross value added	4,478,113	4,652,275
Depreciation and amortization	(174,611)	(67,420)
Net value added produced by the entity	4,303,502	4,584,855
Value added received through transfer	1,506,730	528,536
Equity in the earnings of associates and jointly controlled entities	1,506,730	528,536
Value added to be distributed	5,810,232	5,113,391
Distribution of value added	5,810,232	5,113,391
Personnel	3,168,346	1,652,074
Direct compensation	2,818,812	1,483,585
Benefits	181,111	82,372
FGTS – government severance pay fund	168,423	86,117
Taxes, fees and contributions	(2,968,474)	211,935
Federal	(3,094,859)	125,484
Municipal	126,385	86,451
Remuneration of third party capital	147,658	96,074
Rent expenses	147,658	96,074
Remuneration of shareholders	5,462,702	3,153,308
Interest on equity	914,754	600,000
Dividends	47,324	146,639
Retained earnings	4,661,420	2,622,607
Non-controlling interest	(160,796)	(215,938)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

1. Operations

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, investment portfolios, credit, financing and investment, leasing and real estate loans.

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

The Bank and BTGP (the "Companies") have units listing on NYSE Euronext in Amsterdam and BM&F BOVESPA in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share and 2 preferred shares, class B of BTG Pactual Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

Since November 25, 2015, Group has been affected by a series of news regarding Mr. André Santos Esteves, and has taken measures to ensure the Group ability to function in the normal course of business. Even though BTG Pactual is not part of any investigation or accusation, the news impacted the price of units and bonds, and the Management decided to adopt a series of actions to reduce the use of balance sheet, conserve liquidity and preserve capital.

Changes in shareholding control and Board of Directors

On November 29, 2015, Mr. André Santos Esteves renounced all his executive positions at BTG Pactual; the Board of Directors appointed: (i) Mr. Persio Arida as Chairman of the Board of Directors, (ii) Mr. John Huw Gwili Jenkins as Vice-Chairman of the Board of Directors and (iii) Mr. Marcelo Kalim and Mr. Roberto Balls Sallouti as Co-Chief Executive Officers. Furthermore, on December 2, 2015, an exchange of shares was held between Mr. André Santos Esteves and the Top Seven Partners – a group composed of Messrs. Marcelo Kalim, Roberto Balls Sallouti, Persio Arida, Antonio Carlos Canto Porto Filho, James Marcos de Oliveira, Renato Monteiro dos Santos and Guilherme da Costa Paes, partners and members of the senior management of BTG Pactual – was held, resulting in the change of the Companies' current controlling shareholder, which will now be exercised by the Top Seven Partners, through a holding company established by them. The Central Bank of Brazil approved the new structure on December 3, 2015.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, consisting of a majority of independent/non-executive members of the Board of Directors, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

The investigation is still in progress but, as of the date of these financial statements, Legal Counsel has engaged in an extensive review of documents related to issues under investigation, conducted interviews of certain relevant personnel, and engaged third parties to conduct financial analysis of certain transactions. The Special Committee and Legal Counsel have indicated that, based on the work completed to date, they have found no basis to conclude that the Group, its management or any of its employees have engaged in corrupt or fraudulent activities or other violations of law. The investigation is ongoing and is expected to be conclude in April 2016.

Units buyback Program

On November 25, 2015, the Board of Directors approved a shares repurchase program that envisioned the acquisition of up to 10% of the free-float (approximately 23 million units). On December 13, 2015, the Board of Directors approved the cancellation of the repurchased shares (approximately 20 million units), as well as the approval of the continuity of the share repurchase program of up to approximately 21 million units.

As a result of the buyback program, during the year approximately 31,973,542 common shares and 63,947,084 preferred shares (correspondent to R\$452,188) were repurchased by the Bank. As at December 31, 2015, approximately 12,072,730 common shares and 24,145,460 preferred shares (correspondent to R\$132,394) are held in treasury and approximately 19,900,812 common shares and 39,801,624 preferred shares (correspondent to R\$319,794) had been canceled during the year.

Liability Repurchase

During the year ended December 31, 2015 the Group repurchased liabilities, including some of the outstanding balance of senior and subordinated non-cumulative perpetual notes (tier I), with no impact on our capital base.

Communication

In accordance with the rules issued by *Comissão de Valores Mobiliários* ("CVM"), the *Banco Central do Brasil* ("BACEN") and other regulators, the Bank is providing all required information, as well as making voluntary disclosure.

Risk and Liquidity Management

In order to guarantee a conservative and adequate liquidity level, after the events previously described we have adopted certain measures:

a. Credit Portfolio

The Group in advance sold or settled positions from the credit portfolio, in the total amount of approximately R\$10 billion until December 31, 2015.

b. Fundo Garantidor de Crédito ("FGC")

On December 4, 2015 a Memorandum of Understanding with the FGC was executed to extend a credit line up to the amount of R\$6.0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. As of December 31, 2015, the amount of R\$5.0 billion had been withdrawn from such credit line.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

c. Depósitos a Prazo com Garantia Especial (“DPGE”)

This is a fixed income financial product, with no partial or anticipated maturity, that offers investors extended guarantees, in value terms, provided by the FGC in the case of an intervention, liquidation or insolvency recognized by the competent party of the financial institution. As of December 31, 2015 BTG Pactual had issued approximately R\$1.7 billion, in DPGE.

d. Asset and investments sales

The Group sold assets and stakes in investments during the year ended December 31, 2015, detailed information regarding such transactions were presented in notes 2 and 26.

Additionally, in connection with the material fact from December 4, 2015, related to agreements with the FGC, additional measures were implemented, aiming to preserve the Group liquidity, comprising (i) restrict the dividend distribution to the minimum amount required by our by-laws (1% of earnings), (ii) defer the payment of interest on equity declared to shareholder's, on December 2015, (iii) suspension of payment of variable compensation to managers and the fixed remuneration increase, (iv) suspension of any loans to the partnership members.

The Bank board of directors understands that those measures are sufficient to fulfill the Group obligation's in both the short and medium terms, and strengthen its current liquidity. The cash level, measured by high quality liquid assets was higher than as at November 11, 2015. On December 31, 2015, short-term liquidity KPI is equivalent to 111% to the Bank.

The consolidated financial statements were approved by Bank's Management on February 19, 2016, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

2. Corporate reorganization and acquisitions

Corporate events

As at September 2015, ENEVA SA bankruptcy process was complete. As a result, part of the loans held by the Bank was converted into interest in the company and the Bank has also contributed new assets in the company. As at December 31, 2015, the Bank has a stake equivalent to 49.7% of the total capital of ENEVA.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

Banco Pan S.A. ("Banco Pan"), Bank and Caixa Participações S.A. - CAIXAPAR ("Caixapar"), on August 21, 2014, executed a purchase and sale agreements through which Banco Pan sold (i) its 100% interest in Pan Seguros S.A. to BTG Pactual Seguradora S.A. ("BTGP Seguradora"), a Bank's subsidiary, as well as (ii) its 100% interest in Pan Corretora S.A. to BTG Pactual and Caixapar, for the total combined amount of R\$580,000, which will be adjusted by the 100% positive variation of DI (interbank deposit) rate until the closing of the transactions. This transaction generated a goodwill of R\$ 393,668. Caixapar, within the scope of the transactions, protected its right to maintain, after the closing of the transactions, its current condition as co-controlling shareholder of Pan Seguros S.A. The Bank concluded and liquidated the transaction on December 29, 2014. After the acquisition were made the merger of the BTGP Seguradora by Pan Seguros S.A. In May 2015, the transfer of 49% of interest on Pan Seguros S.A. to the Caixapar was concluded.

On June 13, 2014, Banco Pan approved a R\$3.0 billion capital increase through the issuance of: (i) up to R\$1.5 billion of 443,786,982 new nominative and non-par shares, of which up to 242,566,348 are common shares and up to 201,220,634 preferred shares, at the issuance price of R\$ 3.38 per common or preferred share, for private subscription by Banco Pan's shareholders; and (ii) up to R\$1.5 billion of redeemable preferred shares with a term of five years, which will receive annual, fixed, cumulative priority dividends of 104% of the CDI over the issue price and which will not be traded on the BM&FBOVESPA. The issuance of the redeemable preference shares was cancelled on December 5, 2014.

The Bank and Caixapar exercised their respective pre-emptive rights in connection with the capital issuance described in (i) and made a total capital contribution of R\$651 million and R\$576 million respectively, which generated negative goodwill of R\$22 million, maintaining the condition of joint holders of all voting shares and 80.7% of Banco Pan's total capital stock. The creation and issuance of the new class of shares described above were reconsidered by the shareholder's.

On April 15, 2014, SUSEP approved BTG Pactual PV Holding LTDA. (subsequently had changed the name for BTG Pactual Vida e Previdência S.A.) to operate pension plan products.

On January 24, 2014 Banco BTG Pactual received licenses from the Luxembourg Ministry of Finance to the Bank's new offshore branch as well as its local subsidiary. Further infrastructure and operational processes were implemented initiate the business activities in 2014.

On April 22, 2013 the Central Bank of Brazil approved the formation of Banco BTG Pactual Chile in Santiago (Chile), with initial capital of US\$50 million. This transaction was approved by Chilean authorities on December 17, 2014.

Acquisitions and disposals

As at October 30, 2015, the Bank sold one of its energy trader's entity with contracts evaluated in R\$1.8 billion for the total amount of R\$2 billion, of which R\$200 million was received on the transaction date and the remaining amount will be received over five years in semiannual installments.

In April, 2015, the Bank through one of its subsidiaries, converted debentures in the amount of R\$985,978, issued by Rede D'Or, and received shares equivalent to 21.1% of its equity, which generated a goodwill in the amount of R\$649,807. In May, 2015, Rede D'Or received a capital increase which diluted the Bank interest to 19.4% and generated an equity pickup gain of R\$269,174, net of proportional goodwill amortization. Additionally, during the year ended December 31, 2015, BTG Pactual sold its remaining investment in Rede D'Or and recognized an approximate gain of R\$2.7 Billion. Also, the sale contracts contain terms that might change the receivable amount of the Bank, in case of Rede D'Or not reaches certain conditions precedent. On December 31, 2015, the Bank estimated that the value of a potential terms is not significative.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

On December 31, 2015, the Bank affirmed a sale commitment of its full ownership in Recovery do Brasil Consultoria S.A ("Recovery"), by the total amount of R\$1.2 billion, as per described: (i) transfer of ordinary shares, equivalents to 81.94% of Recovery share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL I ("FIDC NPL I"), equivalents to 69.34% of the fund's total investment, and; (iii) transfer of debentures not convertible issued by Renova Companhia Securitizadora de Créditos Financeiros S.A. ("Renova"). On the same date, the referred assets were transferred to held for sale, measured at fair value, as per presented into Note 12(b). The transaction generated an approximate gain of R\$560 million.

BTG Pactual Group has entered into a joint venture to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, as at July 10, 2014, the Bank acquired 100% of the shares of Ariel Re (Holdings) Limited's operations ("Ariel"), a non-life international reinsurance group, based in London and Bermuda, that specializes in property catastrophe reinsurance. On January 12, 2015, the acquisition of Ariel was approved by the Brazilian Central Bank and on February 3, 2015, it was settled. In April 2015, the transfer of 50% of interest on Ariel to the joint venture was concluded.

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement of BSI, providing for its acquisition, directly or indirectly, of 100% of its capital shares, a Swiss financial institution subsidiary of Generali Group. Banco BTG Pactual believes the business of BSI has complementary geographic and client coverage to its existing client portfolio with limited overlap. On September 30, 2015, the acquisition was concluded and the aggregate consideration paid by Banco BTG Pactual was CHF1,248 million (R\$4,935 million) as per the exchange rate on the date of acquisition, and it consisted of: (i) CHF1,048 million (R\$4,162 million) in cash totally paid in September 2015, and (ii) shares in the amount of CHF200 million (R\$773 million). The transaction generated a negative goodwill of CHF27 million (R\$109 million).

In addition, Generali NV used part of the cash proceeds CHF50 million (R\$203 million) to fund the acquisition of a corresponding number of equity interests of BTG Pactual Participations needed to form units of the BTG Pactual Group. The shares issuance, mentioned above, was approved by the Brazilian Central Bank on November 3, 2015.

The table below presents a summary of the transaction under BACEN (COSIF):

	Acquisition date (in thousands of reais)
Cash and cash equivalent	16,889,023
Short-term interbank investments	15,224,291
Securities and derivative financial instruments	8,674,372
Loans	53,405,471
Allowance for loan losses	(734,726)
Deposits	(75,739,691)
Open market funding and derivative financial instruments	(3,992,057)
Other assets and liabilities	(8,641,827)
Net assets acquired	5,084,856
Consideration paid	
Cash	4,161,728
Shares	773,663
Total consideration paid	4,935,391
Transactions costs capitalized	39,945
Negative goodwill	(109,520)
Business combination, net of cash	12,687,350

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

On December 19, 2014, was approved by BACEN, the acquisition of certain credits and rights held by Fundo Garantidor de Créditos ("FGC"), against Banco Bamerindus do Brasil S.A. ("Bamerindus"), in Extrajudicial Liquidation (the "Institution"), and other companies in the Institution's economic group. In connection with the transaction and approval, BTG Pactual paid R\$107 million in December 2014, and will pay four annual installments of R\$87 million, index to CDI, up to 2018, to the FGC. This transaction generated a negative goodwill R\$ 26,551. Also in December 19, 2014, the Institution and its subsidiaries, extrajudicial liquidation process concluded, and the Institution's name changed to Banco Sistema S.A. The Institution's assets do not include the Bamerindus brand. The transaction resulted in BTG Pactual acquiring control of the Institution and its subsidiaries, with an interest greater than 98% of its total and voting capital.

3. Presentation of the financial statements

The Bank's and its subsidiaries' financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the Conselho Monetário Nacional (CMN), BACEN and Securities and Exchange Commission (CVM), when applicable.

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inaccuracies inherent to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and were included the portions of net income (loss) and shareholders' equity relating to non-controlling interest.

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities is recognized in investments.

The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

	Country	Equity interest - %	
		2015	2014
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Mercadorias Ltda.	Brazil	-	99.99
BTG Pactual Securitizadora S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.90
BTG Pactual Holding International S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

F-137

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

	Country	Equity interest - %	
		2015	2014
BTG Pactual Commodities (Colombia) SAS	Colombia	100.00	100.00
BTG Pactual Commodities (Russia) LLC	Russia	100.00	100.00
BTG Pactual Commodities Absolute Return Ltd.	Cayman	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	100.00
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	99.84	98.84
Bastec Tecnologia e Serviços Ltda.	Brazil	99.84	98.84
BTG Pactual Corretora de Resseguros Ltda.	Brazil	100.00	100.00
BTG Pactual UK Holdco Limited	UK	100.00	-
BTG Pactual Family Office S.A. de C.V. (i)	Mexico	100.00	-
BSI S.A.	Switzerland	100.00	-
BSI SA - Italian Branch (i)	Italy	100.00	-
BSI SA - Hong Kong Branch (i)	Hong Kong	100.00	-
BSI Art Collection S.A. (i)	Luxembourg	100.00	-
BSI Art Collection (Svizzera) S.A. (i)	Switzerland	100.00	-
BSI Asset Managers SAM (i)	Monaco	100.00	-
BSI Bank (Panama) S.A.(i)	Panama	100.00	-
BSI Bank Limited (i)	Singapore	100.00	-
BSI Europe S.A. (i)	Luxembourg	100.00	-
BSI Fund Management S.A. (i)	Luxembourg	100.00	-
BSI Laran S.A. (i)	Switzerland	100.00	-
BSI Monaco SAM (i)	Monaco	100.00	-
BSI Overseas (Bahamas) Ltd. (i)	Bahamas	100.00	-
BSI Trust Corporation (Malta) Ltd. (i)	Malta	100.00	-
BSI & Venture Partners S.A. (i)	Luxembourg	100.00	-
EOS Servizi Fiduciari SpA (i)	Italy	100.00	-
Oudart S.A. (i)	France	100.00	-
Oudart Gestion S.A. (i)	France	100.00	-
Oudart Patrimoine S.A. (i)	France	100.00	-
Patrimony 1873 S.A. (i)	Switzerland	100.00	-
BSI Investment Advisors (Panama) Inc. (i)	Panama	100.00	-
BTGP-BSI Limited (i)	UK	100.00	-
BTG Pactual Holding AG (i)	Switzerland	100.00	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I	Brazil	-	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I	Brazil	-	70.75
BTG Pactual Saúde Fundo de Investimento em Participações	Brazil	-	95.67
Nala Fundo de Investimento em Participações	Brazil	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Caixa BTG Pactual Multisegmentos	Brazil	100.00	100.00
BTG Pactual Gewinnstrategie Fundo de Investimento Multimercado Crédito Privado	Brazil	100.00	100.00
Fundo de Investimento em Participações Quartzo	Brazil	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual E&P FIP	Brazil	-	100.00
BTG Pactual Mall Fundo de Investimento Imobiliário	Brazil	100.00	100.00
Fundo de Investimento Imobiliário BTG Pactual Shopping	Brazil	100.00	100.00
Propertyco FIM CP IE	Brazil	-	100.00
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	100.00
Warehouse Fundo de Investimento em Participação	Brazil	100.00	100.00
Caravelas Fundo de Investimento em Ações	Brazil	56.00	56.00
BTG Pactual Absolute Return III Master Fund LP	Cayman	100.00	100.00
CCF Ltd	Cayman	100.00	100.00
CCMF Ltd	Cayman	100.00	100.00
FI Imobiliario Property Invest	Brazil	100.00	-
BTG CMO FIM CP – IE	Brazil	100.00	-
BTG Pactual Real Estate Fund Ltd	Cayman	100.00	-
B-2 Fundo de Investimento Multimercado	Brazil	100.00	-
BTG Pactual Absolute Return III Limited	Brazil	100.00	-

(i) Entities acquired through business combination of BSI.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

b. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate.

The financial statements of the companies abroad, originally stated in their functional currencies, were translated into reais at the foreign exchange rates on the reporting dates.

The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature.

Reclassification of financial statements

The Bank has revised its previously issued statement of cash flows as for the year ended December 31, 2014 resulting in a decrease in financing activities of R\$1,636,901, and an increase in the same amount in operational activities. This review was in order to apply accounting practices consistent with those applied as at December 31, 2015.

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and its direct and indirect subsidiaries are the following:

a. Cash and cash equivalents

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities up to 90 days, subject to an insignificant risk of change in value.

b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and onlending, subordinated debts and other asset and liability transactions

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a "*pro rata die* basis", based on the effective rate of the transactions.

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

i. Trading securities

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjusted to fair value, recognized to the income of the period.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

ii. Available for sale securities

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded on profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in income (loss) after the effective realization.

iii. Held-to-maturity securities

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to income (loss). Decreases in the fair value of available-for-sale and held-to-maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in income (loss) as realized losses.

According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

d. Derivative financial instruments

These are classified according to Management's intention, on the transaction date, considering whether such transactions are for hedge or not.

The transactions using financial instruments of own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in income (loss).

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge and are classified according to their nature:

Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss); and

Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.

e. Fair value of securities, derivative financial instruments and other rights and obligations

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, are calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in income (loss).

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

g. Sale or transfer of financial assets with substantial retention of risks and benefits

Financial assets remain on the transferor's balance sheet when the transferor sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

h. Loans and other receivables (operations with credit characteristics)

Recorded at present value, calculated on a "*pro rata die*" basis on the index variation and on the agreed interest rate, updated up to 59th day of default, provided the expected receipt. As from the 60th day, the recognition in income (loss) occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

i. Allowance for loan losses

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.

Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

j. Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties are determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

k. Inventories

Trading-related inventories are stated at fair value, less cost to sell, which is the estimated selling price of the inventories using assumptions of market participants in its highest and best use which is physically possible, legally permissible and financially feasible. If the location is a characteristic of an asset, the price in the principal (or most advantageous) market is adjusted to estimate costs that would be incurred to transport the asset from its current location to that market.

The selling price is estimated based on or derived from the primary market to which the Company has access, or in the absence of a primary market, the most advantageous market. The primary or most advantageous market can be a financially settled market against which inventory purchase and sales prices are benchmarked.

l. Investments

Jointly controlled and associates are accounted for under the equity method. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

m. Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, are amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

n. Property and equipment in use and deferred charges

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

o. Intangible assets

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company, (ii) for acquired rights of assets management contracts, and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

p. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, it is recorded as loss in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the lower of value in use and fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

q. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 20% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution of financial institutions and 9% for non-financial institutions.

r. Contingent assets and liabilities, and legal, tax and social security obligations

Recognized according to the criteria described below:

i. Contingent assets

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

iii. Legal obligation – tax and social security

Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, defines overall limits and is ultimately responsible for managing risks, (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new loans according to the guidelines set forth by the Bank's Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Committee, which assesses the main operational risks for the internal policies and regulatory risks established, (vi) AML (Anti Money Laundering) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering, (vii) CFO Committee, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure, (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas.

a. Operating limits

	2015	2014
Reference Shareholders' Equity	19,658,799	14,678,862
Consolidation adjustments (Note 19)	54,465	54,465
Reference Shareholders' Equity Consolidated	19,713,264	14,733,327
Tier I	22,348,819	16,736,911
Common Equity	17,206,110	13,239,074
Complementary Equity	5,142,708	3,497,836
Tier II	3,977,264	4,545,445
Reference Shareholders' Equity (PR) - (a)	26,326,083	21,282,355
Required Reference Shareholders' Equity (PRE)	18,742,699	13,402,263
Total exposure risk-weighted - (b)	18,742,699	13,402,263
Credit risk	13,766,340	7,657,999
Operational risk	83,440	644,830
Market risk	4,892,919	5,099,434
Basel ratio - (a/b*11%)	15.45%	17.5%
Tier I capital	13.12%	13.7%
Tier II capital	2.33%	3.8%
Fixed assets ratio	69.9%	78.5%
Fixed assets to equity capital ratio	13,156,602	10,634,053
Status for fixed assets to equity capital ratio	9,193,675	8,352,612
Amount of margin (insufficiency)	3,962,927	2,281,441

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circulars-Letters 3.310/08 and 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13 and Circular-Letter 3.625/13.

The Bank has chosen the basic indicator approach to measure operating risk.

As at the year ended December 31, 2015 and 2014 the Bank was in compliance with all operating limits.

b. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one day period, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses stress test models as a complement to VaR method for its daily risk activities.

The table below contains the Bank's and its subsidiaries' daily average VaR for the years ended:

In millions of R\$	2015	2014	2013
Daily average VaR	125.6	73.0	52.5

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

d. Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a low level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

e. Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

6. Cash at banks

Cash at banks refer basically to deposits abroad in prime banks.

7. Interbank investments

	2015					2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	17,381,711	16,030,170	1,351,541	-	-	32,548,396
Own portfolio	5,648,295	5,628,135	20,160	-	-	3,704,830
Federal government bonds	5,003,202	4,983,042	20,160	-	-	2,400,344
Corporate bonds	465,816	465,816	-	-	-	1,293,088
Foreign government bonds	179,277	179,277	-	-	-	11,398
Third-party portfolio	8,690,279	7,933,449	756,830	-	-	25,475,018
Federal government bonds	8,680,308	7,923,478	756,830	-	-	24,883,413
Corporate bonds	9,971	9,971	-	-	-	291,858
Foreign government bonds	-	-	-	-	-	299,747
Short position	3,043,137	2,468,586	574,551	-	-	3,368,548
Federal government bonds	3,043,137	2,468,586	574,551	-	-	3,368,548
Interbank investments (*)	15,204,829	15,202,636	-	2,193	-	4,623,245
Interbank deposit certificates	227,956	225,763	-	2,193	-	2,660,846
Investments in foreign currency - overnight	14,976,873	14,976,873	-	-	-	1,962,399
	32,586,540	31,232,806	1,351,541	2,193	-	37,171,641

(*) Refers basically to interbank deposits in prime banks.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

The collateral received in repurchase agreements amounts to R\$17,525,922 (December 31, 2014 - R\$32,723,548), whereas the collateral granted amounts to R\$20,377,207 (December 31, 2014 - R\$39,041,504).

8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows:

	2015							2014
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	16,402,031	15,595,226	5,457,308	2,350,007	3,368,482	1,639,438	2,779,991	23,287,059
Federal government bonds	840,893	764,267	234,884	172,733	55,702	121,977	178,971	2,573,419
Brazilian foreign debt securities	2,083	2,083	-	-	2	-	2,081	19,682
Debentures/Eurobonds (i)	1,025,515	998,415	1,304	312,501	414,658	57,614	212,338	6,857,375
Bank certificates of deposit	19,507	19,507	14,096	5,411	-	-	-	104
Bank credit certificate	-	-	-	-	-	-	-	37,042
Investment fund quotes								
Shares	21,355	21,355	21,355	-	-	-	-	136,961
Multimarket	443,637	267,227	221,708	35,298	5,082	-	5,139	1,917,129
FIDC - Credit Rights	11,418	11,418	11,418	-	-	-	-	10,856
Real Estate	7,343	7,343	-	-	7,343	-	-	382,326
Equity Investment fund	1,022,325	820,215	155,632	-	405,386	-	259,197	1,363,780
Shares	3,377,250	3,077,496	3,051,053	857	-	-	25,586	4,455,070
Promissory notes	121,261	121,250	54,141	67,109	-	-	-	2,282,620
Certificate of real estate receivables	464,173	474,298	67,723	94,096	223,780	30,978	57,721	989,327
Financial bills	70,202	70,202	70,202	-	-	-	-	-
Other	366,648	367,199	3,392	95	529	68,741	294,442	181,999
Foreign government bonds	4,952,405	4,918,256	1,248,057	1,081,088	992,508	593,327	1,003,276	125,143
Foreign private securities								
Corporate Bond	3,583,223	3,606,054	279,414	580,787	1,242,668	761,945	741,240	183,835
Warrants	-	-	-	-	-	-	-	992,113
Other	72,793	48,641	22,929	32	20,824	4,856	-	778,278
Unrestricted portfolio	593,661	591,054	-	-	-	182,032	409,022	529,059
Federal government bonds	593,661	591,054	-	-	-	182,032	409,022	529,059
Subject to repurchase agreements	8,325,720	8,258,465	166,495	1,309,423	905,753	3,855,454	2,021,340	8,884,502
Federal government bonds	6,738,854	6,739,189	86,294	1,278,874	113,308	3,734,214	1,526,499	2,328,603
Certificate of real estate receivables	450,277	450,277	-	-	-	-	450,277	-
Foreign government bonds	162,169	162,169	75,551	29,364	57,254	-	-	752,452
Foreign private securities								
Corporate Bond	58,002	76,783	-	-	71,738	-	5,045	-
Warrants	-	-	-	-	-	-	-	498,502
Other	-	-	-	-	-	-	-	9,889
Debentures / Eurobonds (i)	916,418	830,047	4,650	1,185	663,453	121,240	39,519	5,295,056
Subject to guarantees	9,398,949	9,071,129	841,907	2,334,688	1,487,013	1,864,883	2,542,638	3,261,217
Federal government bonds	2,715,853	2,720,759	-	764,316	252,047	108,250	1,596,146	2,774,829

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

	2015							2014
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Investment fund quotes								
Multimarket	171,338	171,338	171,338	-	-	-	-	-
Debtentures / Eurobonds (i)	2,869,203	2,770,907	-	607,604	690,094	1,336,559	136,650	343,704
Shares	156,439	91,505	91,505	-	-	-	-	112,832
Bank certificates of deposit	8,350	8,350	-	-	8,350	-	-	-
Foreign government bonds	259,230	258,339	-	-	244,862	11,913	1,564	15,438
Other	-	-	-	-	-	-	-	14,414
Foreign private securities								
Corporate Bond	2,726,564	2,718,204	414,749	930,713	267,440	373,185	732,117	-
Shares	322,770	162,525	162,525	-	-	-	-	-
Other	169,202	169,202	1,790	32,055	24,220	34,976	76,161	-
Trading securities	23,323,042	22,491,838	6,265,047	3,987,668	3,961,037	2,383,569	5,894,517	17,230,254
Available for sale securities	6,268,584	5,895,301	200,663	1,140,734	1,601,186	1,511,175	1,441,543	14,097,026
Held-to-maturity securities	5,128,735	5,128,735	-	865,716	199,025	3,647,063	416,931	4,634,557
	34,720,361	33,515,874	6,465,710	5,994,118	5,761,248	7,541,807	7,752,991	35,961,837

(i) Substantially securities issued by Brazilian companies.

b. Trading securities

	2015							2014
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	14,307,731	13,689,542	5,258,435	1,816,877	3,115,063	1,534,273	1,964,894	13,076,979
Federal government bonds	840,893	764,267	234,884	172,733	55,702	121,977	178,971	1,209,240
Brazilian foreign debt securities	2,083	2,083	-	-	2	-	2,081	19,682
Debtentures/Eurobonds (i)	300,120	296,363	1,304	2,754	226,397	52,168	13,740	3,038,391
Bank certificates of deposit	19,507	19,507	14,096	5,411	-	-	-	104
Investment fund quotes								
Shares	21,355	21,355	21,355	-	-	-	-	136,961
Multimarket	413,174	239,437	221,708	12,647	5,082	-	-	1,917,129
FIDC - Credit Rights	11,418	11,418	11,418	-	-	-	-	10,856
Real Estate	7,343	7,343	-	-	7,343	-	-	382,326
Equity Investment								
fund	466,493	466,493	78,079	-	388,414	-	-	424,233
Shares	3,374,793	3,038,064	3,051,053	(38,575)	-	-	25,586	3,830,057
Promissory notes	-	-	-	-	-	-	-	-
Certificate of real estate receivables	168,548	176,678	555	-	176,123	-	-	-
Financial bills	70,202	70,202	70,202	-	-	-	-	-
Other	3,381	3,381	3,381	-	-	-	-	28,631
Foreign government bonds	4,952,405	4,918,256	1,248,057	1,081,088	992,508	593,327	1,003,276	125,143
Foreign private securities								
Corporate Bond	3,583,223	3,606,054	279,414	580,787	1,242,668	761,945	741,240	183,835
Warrants	-	-	-	-	-	-	-	992,113
Other	72,793	48,641	22,929	32	20,824	4,856	-	778,278
Unrestricted portfolio	593,661	591,054	-	-	-	182,032	409,022	529,059
Federal government bonds	593,661	591,054	-	-	-	182,032	409,022	529,059
Subject to repurchase agreements	2,960,009	2,979,125	166,495	882,396	248,080	150,610	1,531,544	2,278,916
Federal government bonds	2,676,434	2,676,769	86,294	851,847	113,308	98,821	1,526,499	616,024
Foreign government bonds	162,169	162,169	75,551	29,364	57,254	-	-	752,452
Foreign private securities								
Corporate Bond	58,002	76,783	-	-	71,738	-	5,045	-
Warrants	-	-	-	-	-	-	-	498,502

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

	2015							2014
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Other	-	-	-	-	-	-	-	9,889
Debentures / Eurobonds								
(i)	63,404	63,404	4,650	1,185	5,780	51,789	-	402,049
Subject to guarantees	5,461,641	5,232,117	840,117	1,288,395	597,894	516,654	1,989,057	1,345,300
Federal government bonds	1,649,538	1,654,444	-	325,627	53,022	96,580	1,179,215	1,217,030
Investment fund quotes								
Multimarket	171,338	171,338	171,338	-	-	-	-	-
Shares	156,439	91,505	91,505	-	-	-	-	112,832
Bank certificates of deposit	8,350	8,350	-	-	8,350	-	-	-
Foreign government bonds	259,230	258,339	-	-	244,862	11,913	1,564	15,438
Other	-	-	-	-	-	-	-	-
Foreign private securities								
Corporate Bond	2,726,564	2,718,204	414,749	930,713	267,440	373,185	732,117	-
Shares	322,770	162,525	162,525	-	-	-	-	-
Other	167,412	167,412	-	32,055	24,220	34,976	76,161	-
Total	23,323,042	22,491,838	6,265,047	3,987,668	3,961,037	2,383,569	5,894,517	17,230,254

(i) Substantially securities issued by Brazilian companies.

c. Available-for-sale securities

	2015							2014
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	2,094,300	1,905,684	198,873	533,130	253,419	105,165	815,097	8,845,901
Shares	2,457	39,432	-	39,432	-	-	-	625,013
Investment fund quotes								
Multimarket	30,463	27,790	-	22,651	-	-	5,139	-
Equity investment fund	555,832	353,722	77,553	-	16,972	-	259,197	939,547
Debentures (i)	725,395	702,052	-	309,747	188,261	5,446	198,598	3,818,984
Certificate of real estate receivables	295,625	297,620	67,168	94,096	47,657	30,978	57,721	989,327
Bank certificates of deposit	-	-	-	-	-	-	-	37,042
Promissory notes	121,261	121,250	54,141	67,109	-	-	-	2,282,620
Other	363,267	363,818	11	95	529	68,741	294,442	153,368
Subject to repurchase agreements	1,303,291	1,216,920	-	-	657,673	69,451	489,796	4,893,007
Debentures (i)	853,014	766,643	-	-	657,673	69,451	39,519	4,893,007
Certificate of real estate receivables	450,277	450,277	-	-	-	-	450,277	-
Subject to guarantees	2,870,993	2,772,697	1,790	607,604	690,094	1,336,559	136,650	358,118
Debentures	2,869,203	2,770,907	-	607,604	690,094	1,336,559	136,650	343,704
Outros	1,790	1,790	1,790	-	-	-	-	14,414
Total	6,268,584	5,895,301	200,663	1,140,734	1,601,186	1,511,175	1,441,543	14,097,026

(i) Substantially securities issued by Brazilian companies.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

d. Held-to-maturity securities

	2015						2014
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	-	-	-	-	-	-	1,364,179
Federal government bonds	-	-	-	-	-	-	1,364,179
Subject to re purchase	4,062,420	-	427,027	-	3,635,393	-	1,712,579
Federal government bonds	4,062,420	-	427,027	-	3,635,393	-	1,712,579
Subject to guarantees	1,066,315	-	438,689	199,025	11,670	416,931	1,557,799
Federal government bonds	1,066,315	-	438,689	199,025	11,670	416,931	1,557,799
Total	5,128,735	-	865,716	199,025	3,647,063	416,931	4,634,557

If measured at fair value, held-to-maturity securities would be reported as at the year ended December 31, 2015 with a negative adjustment of R\$183,963 (December 31, 2014 – R\$1,832 positive).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention were made by Management during the year ended in December 31, 2015. During the year ended December 31, 2014 the Bank's Management reclassified R\$10,502,528 from the category trading securities for available for sale securities, with no effect on current gain or loss.

9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed through strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

Transactions conducted in Brazil are traded, registered or held in custody by BM&F Bovespa and CETIP S.A. – Balcão Organizado de Ativos e Derivativos; transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

As at the year ended December 31, 2015 and 2014, the Bank does not have derivative financial instruments classified as hedge accounting. However, it has the policy to economically hedge its exposures to foreign currencies, including exposures in subsidiaries or to associates, using derivatives or other financial instruments. The policy aims to mitigate any effect from changes in foreign currency on assets and liabilities, other than those ones for trading purpose.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular Letter 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

	2015				2014
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	47,275,228	11,848,943	6,000,980	65,125,151	92,904,844
Currency	2,801,180	261,823	-	3,063,003	13,261,343
Interest rate	20,763,095	1,682,932	4,705,480	27,151,507	7,239,587
Commodities	22,990,442	9,904,171	1,123,539	34,018,152	19,108,318
Index	720,511	17	171,961	892,489	53,295,596
Short position	75,256,846	34,362,450	3,560,887	113,180,183	132,143,874
Currency	6,545,659	2,784,601	-	9,330,260	4,413,078
Interest rate	41,677,366	9,322,721	2,174,262	53,174,349	35,695,532
Commodities	26,597,320	21,996,828	1,386,625	49,980,773	23,204,657
Index	436,501	258,300	-	694,801	68,830,607
Swap					
Long position	39,846,592	13,879,369	31,978,358	85,704,319	144,487,244
Currency	1,263,111	1,020,218	1,704,767	3,988,096	6,174,223
Interest rate	35,454,795	12,194,472	29,719,153	77,368,420	120,673,644
Index	475	185,463	419,000	604,938	8,632,919
Equities	50,366	46,156	27,349	123,871	324,709
Commodities	2,867,811	406,182	108,089	3,382,082	4,112,719
Other	210,034	26,878	-	236,912	4,569,030
Short position	39,846,592	13,879,369	31,978,358	85,704,319	144,487,244
Currency	869,794	379,064	2,704,551	3,953,409	10,733,082
Interest rate	34,312,148	12,359,058	26,768,357	73,439,563	120,705,059
Index	6,196	219,955	1,157,996	1,384,147	4,471,139
Equities	68,564	27,305	346,240	442,109	263,885
Commodities	3,498,679	406,182	108,089	4,012,950	4,103,873
Other	1,091,211	487,805	893,125	2,472,141	4,210,206
Credit Derivatives					
Long position	-	-	306,800	306,800	432,164
Sovereign	-	-	214,861	214,861	185,934
Corporate	-	-	91,939	91,939	246,230
Short position	72,642	14,046	228,949	315,637	325,916
Corporate	72,642	14,046	228,949	315,637	325,916
Non-deliverable forward - NDF					
Long position	39,439,429	5,148,439	26,364,063	70,951,931	12,006,059
Currency	33,604,623	868,159	4,077,628	38,550,410	2,170,813
Commodities	3,764,532	3,876,697	22,245,556	29,886,785	-
Index	-	-	-	-	9,777,632
Interest rate	2,070,274	403,583	40,879	2,514,736	57,614
Short position	39,439,429	5,148,439	26,364,063	70,951,931	12,006,059
Currency	35,307,019	1,072,629	4,117,047	40,496,695	11,488,632
Commodities	3,767,252	3,876,697	22,245,556	29,889,505	-
Index	-	-	-	-	511,165
Interest rate	365,158	199,113	1,460	565,731	-
Other	-	-	-	-	6,262
Deliverable forward - DF					

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

	2015				2014
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Long position	142,707,577	32,135,648	1,652,863	176,496,088	72,714,522
Commodities	11,501,271	3,087,641	583,402	15,172,314	39,595,462
Currency	124,325,990	28,159,763	357,806	152,843,559	33,119,060
Interest rate	6,880,316	888,244	711,655	8,480,215	-
Short position	142,707,577	32,135,648	1,652,863	176,496,088	72,714,522
Commodities	7,225,539	962,330	850,956	9,038,825	39,185,365
Interest rate	11,156,048	3,013,555	444,101	14,613,704	-
Currency	124,325,990	28,159,763	357,806	152,843,559	33,529,157
Security forwards					
Long position	354,132	-	-	354,132	991,234
Interest rate	289,798	-	-	289,798	-
Government bonds	64,334	-	-	64,334	991,234
Short position	354,132	-	-	354,132	991,234
Interest rate	64,334	-	-	64,334	991,234
Government bonds	289,798	-	-	289,798	-
Options market					
Call option - long position	12,734,183	8,122,198	1,765,777	22,622,158	22,610,124
Equities	309,006	158,878	121,883	589,767	265,137
Commodities	4,168,871	1,173,654	-	5,342,525	1,265,298
Index	30,255	1,337	-	31,592	17,488,638
Currency	8,155,765	6,788,329	1,643,894	16,587,988	3,589,551
Other	70,286	-	-	70,286	1,500
Put option - long position	9,723,503	12,413,366	2,329,830	24,466,699	21,940,288
Equities	408,690	82,217	-	490,907	227,191
Commodities	3,123,322	5,447,852	169,746	8,740,920	3,742,256
Index	-	-	-	-	14,983,766
Currency	6,191,491	6,879,075	2,160,084	15,230,650	2,987,075
Interest rate	-	4,222	-	4,222	-
Call option - short position	17,316,979	4,344,273	2,227,446	23,888,698	7,314,179
Equities	330,166	10,689	330	341,185	196,514
Commodities	3,767,390	899,374	44,633	4,711,397	1,391,569
Index	25,212	-	-	25,212	2,129,081
Currency	13,123,925	3,434,210	2,182,483	18,740,618	3,597,015
Other	70,286	-	-	70,286	-
Put option - short position	10,658,611	5,375,194	1,793,229	17,827,034	36,024,628
Equities	465,956	752,350	807	1,219,113	151,285
Commodities	1,781,147	2,129,920	148,528	4,059,595	1,054,792
Index	117,054	53,279	-	170,333	31,660,845
Currency	8,294,454	2,439,645	1,643,894	12,377,993	3,157,706

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

b. By cost and market value

	2015					2014
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	60,252	64,017	43,124	4,865	16,028	18,430
Short position	41,161	41,601	32,456	5,436	3,709	7,340
Swaps						
Long position	1,408,169	1,916,001	503,280	197,536	1,215,185	1,703,431
Short position	3,581,711	3,484,723	594,035	173,200	2,717,488	2,180,104
Credit derivatives						
Long position	13,869	13,587	-	-	13,587	20,840
Short position	24,399	24,626	790	144	23,692	29,001
Non-deliverable forward - NDF						
Long position	4,671,706	4,529,603	1,075,456	571,328	2,882,819	572,553
Short position	3,141,669	3,131,362	953,607	499,962	1,677,793	313,106
Deliverable forward - DF						
Long position	33,582,932	33,497,215	29,721,741	2,641,613	1,133,861	26,226,791
Short position	33,434,648	32,846,270	29,297,237	2,479,685	1,069,348	25,030,879
Security forwards						
Long position	353,813	353,813	353,813	-	-	1,863,795
Short position	353,648	353,648	353,648	-	-	1,864,206
Options market						
Long position	2,959,594	3,778,892	1,383,304	1,226,091	1,169,497	1,370,664
Short position	2,165,931	2,444,740	1,010,018	617,220	817,502	650,116
Long position	43,050,335	44,153,128	33,080,718	4,641,433	6,430,977	31,776,504
Short position	42,743,167	42,326,970	32,241,791	3,775,647	6,309,532	30,074,752

c. Notional by counterparty

	2015					2014
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total	Total
Futures market						
Long position	28,229,859	36,895,292	-	-	65,125,151	92,904,844
Short position	61,523,457	51,656,726	-	-	113,180,183	132,143,874
Swap						
Long position	26,969,058	51,079,632	7,652,529	3,100	85,704,319	144,487,244
Short position	26,969,058	51,079,632	7,652,529	3,100	85,704,319	144,487,244
Credit derivatives						
Long position	-	214,861	91,939	-	306,800	432,164
Short position	-	223,698	91,939	-	315,637	325,916
Non-deliverable forward - NDF						
Long position	-	33,364,314	37,126,343	461,274	70,951,931	12,006,059
Short position	-	33,364,314	37,126,343	461,274	70,951,931	12,006,059
Deliverable forward - DF						
Long position	-	131,826,389	35,826,119	8,843,580	176,496,088	72,714,522
Short position	-	131,826,389	35,826,119	8,843,580	176,496,088	72,714,522
Security forwards						
Long position	-	88,997	265,135	-	354,132	991,234
Short position	-	88,997	265,135	-	354,132	991,234
Options market						
Long position	179,287	36,674,744	3,734,364	6,500,462	47,088,857	44,550,412
Short position	351,410	37,506,648	2,080,408	1,777,266	41,715,732	43,338,807
Long position	55,378,204	290,144,229	84,696,429	15,808,416	446,027,278	368,086,479
Short position	88,843,925	305,746,404	83,042,473	11,085,220	488,718,022	406,007,656

(i) Includes investments funds.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

d. Credit derivatives

	2015	2014
Credit swap		
Transferred risk		
Sovereign	214,861	185,934
Corporate	91,939	246,230
Risk received		
Corporate	(315,637)	(325,916)
	<u>(8,837)</u>	<u>432,164</u>

During the year ended on December 31, 2015 and 2014, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at December 31, 2015 is R\$41,891 (December 31, 2014 – R\$42,414).

e. Guarantee margins

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$8,449,268 (December 31, 2014 – R\$2,644,645) and shares in the amount of R\$254,030 (December 31, 2014 – R\$112,832).

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&F Bovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by BM&F Bovespa. Fund quotas are valued based on quota prices disclosed by the custodian.
- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

10. Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

Type of credit	2015		2014	
	Balance	Allowance	Balance	Allowance
Loans	32,992,690	(1,510,510)	12,692,663	(776,808)
Financing	1,648,571	(134,145)	2,389,861	(78,570)
FINAME/BNDES	2,424,105	(35,481)	1,664,423	-
Real estate financing	16,500,417	(252,824)	-	-
Securities financing	3,949,264	-	139,261	-
Total	57,515,047	(1,932,960)	16,886,208	(855,378)

ii. By risk level and maturity

Risk level	2015						2014	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	25,262,475	4,577,792	13,085,266	42,925,533	-	5,180,963	-
A	-	3,131,263	216,116	4,018,084	7,365,463	(38,297)	5,303,775	(26,519)
B	-	651,560	560,236	1,470,066	2,681,862	(26,823)	3,471,519	(34,714)
C	566	1,031,353	130,550	115,296	1,277,765	(38,334)	699,704	(23,048)
D	1,455	153,942	39,398	918,624	1,113,419	(152,121)	798,010	(125,073)
E	85,171	396,823	50,038	73,824	605,856	(183,721)	1,290,936	(547,836)
F	50,069	12,063	2,248	38,961	103,341	(51,856)	77,986	(38,993)
G	-	-	-	-	-	-	13,731	(9,612)
H	181,074	593,253	436,066	231,415	1,441,808	(1,441,808)	49,584	(49,583)
Total	318,335	31,232,732	6,012,444	19,951,536	57,515,047	(1,932,960)	16,886,208	(855,378)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

iii. By activity sector

Sector	2015	2014
Commerce	181,042	130,263
Industry	1,684,961	479,612
Services	33,356,459	14,682,574
Rural	348,964	471,414
Individuals	21,943,621	1,122,345
Total	57,515,047	16,886,208

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

Risk level	2015				2014			
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	46,549	126	93,218	139,893	-	375,637	-
A	115	2,418	64,638	6,991	74,162	(371)	886,197	(4,431)
B	39,059	19,402	13,884	457,970	530,315	(5,303)	229,987	(2,300)
C	60,856	11,045	10,342	67,604	149,847	(4,495)	190,025	(5,701)
E	56,786	-	-	-	56,786	(22,715)	-	-
F	50,541	1,847	-	-	52,388	(25,996)	23,592	(11,796)
H	63,928	-	-	-	63,928	(63,928)	493	(493)
Total	271,285	81,261	88,990	625,783	1,067,319	(122,808)	1,705,931	(24,721)
Transferred loans with co-obligations					85,436	(2,472)	176,698	(4,545)
Securities and credits receivable (note 12(b))					981,883	(120,336)	1,529,233	(20,176)

ii. By activity sector

Sector	2015	2014
Industry	199	-
Individuals	93,915	153,052
Rural	75,298	-
Services	897,907	1,552,879
Total	1,067,319	1,705,931

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

c. Advances in foreign exchange contracts

i. By risk level and maturity

Risk level	2015					2014	
	Overdue	Maturity			Total	Allowance	Total
		Up to 6 months	6 to 12 months	Over 12 months			
AA	-	9,196	-	-	9,196	-	-
A	-	-	-	-	-	-	342,566
B	-	-	72,863	-	72,863	(879)	206,003
C	-	-	-	-	-	-	159,707
E	-	21,165	14,110	-	35,275	(12,246)	-
D	-	5,195	8,950	-	14,145	(2,733)	10,849
H	20,886	-	-	-	20,886	(20,886)	25,074
Total	20,886	35,556	95,923	-	152,365	(36,744)	744,199

ii. By activity sector

Sector	2015	2014
Industry	56,161	105,573
Services	96,204	638,626
Total	152,365	744,199

d. Credit concentration

	2015	%	2014	%
Largest debtors				
10 largest debtors	10,870,689	19%	7,213,532	37%
20 following largest debtors	6,167,356	11%	4,596,875	24%
50 following largest debtors	5,992,042	10%	3,998,715	21%
100 following largest debtors	5,983,466	10%	2,893,438	15%
200 following largest debtors	6,692,322	11%	633,778	3%
500 following largest debtors	8,174,852	14%	-	0%
Above 500 following largest debtors	14,854,004	25%	-	0%
	58,734,731	100%	19,336,338	100%

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	2015	2014
Opening balances	(1,143,438)	(458,973)
Reversal/(accrual) of allowance	(567,723)	(518,539)
Allowance from acquired entity	(734,726)	(109,876)
Portfolio acquisition	-	(146,842)
Contingencies transfer provision	113,278	-
Exchange rate variation	(108,164)	69,381
Credits written off as loss	152,143	21,411
Closing balances	(2,288,630)	(1,143,438)
Breakdown of closing balances		
Allowance for loan losses	(1,932,960)	(855,378)
Allowance for transferred loans	(2,472)	(4,545)
Allowance for other receivables	(120,336)	(20,175)
Allowance for advances on foreign exchange contracts	(36,744)	(27,201)
Allowance for guarantes	(196,118)	(236,139)
	(2,288,630)	(1,143,438)

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

f. Renegotiation/recovery of credits written off as loss

In 2015, the amount of R\$1,482,587 were due to credit renegotiation (December 31, 2014 – R\$268,794). Also in the year ended December 31, 2015 there were the amount of R\$1,414 due to written off loans recuperation (December 31, 2014 – R\$11,815).

g. Transferred loan

During the year ended December 31, 2015, there was no credit assignment with co-obligation (December 31, 2015 - R\$193,456).

11. Other receivables/obligations

a. Foreign Exchange portfolio

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased/sold	1,599,914	10,251,244	2,432,829	6,981,527
Rights on foreign exchange sales	10,167,480	-	6,906,287	-
(-) Advances on foreign exchange contracts (Note 10 (c))	3,489	(148,876)	15,820	(728,379)
(-) Advances in foreign currency received	(156)	-	-	-
(-) Advances in local currency received	(234)	-	(4,256)	-
Liability for foreign exchange purchase	-	1,541,474	-	2,342,056
	<u>11,770,493</u>	<u>11,643,842</u>	<u>9,350,680</u>	<u>8,595,204</u>
Current	11,770,493	11,643,842	9,350,680	8,595,204
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through BM&FBovespa – Securities, Commodities and Futures Exchange (BM&FBovespa), are represented by federal government bonds in the amount of R\$367,831 (December 31, 2014 - R\$130,185).

b. Securities trading and brokerage

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	1,157,060	1,108,797	1,417,845	990,364
Unsettled financial assets	17,966	36	18,418	14,210
Debtors/creditors – pending settlement account	9,223,704	4,167,353	7,029,507	2,660,428
Creditors for stock loans	-	5,759,776	-	361,578
Other securities trading and brokerage	2,507,272	1,618,914	2,765,673	605,537
Commissions and brokerage payable	-	464	-	357
Swap brokerage	139	-	123	-
	<u>12,906,141</u>	<u>12,655,340</u>	<u>11,231,566</u>	<u>4,632,474</u>
Current	12,906,141	12,655,340	9,850,147	4,632,474
Long-term	-	-	1,381,419	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

“Debtors/creditors – pending settlement account” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&F Bovespa, and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties, on the regular term.

“Other securities trading and brokerage” basically represents, in assets, intermediation transactions from time deposits to be settled, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled, on the regular term.

12. Other receivables

a. Income receivable

	2015	2014
Dividends and bonus	3,947	41,859
Receivables from services rendered	952,767	732,103
Management and performance fees for investment funds and portfolio	787,414	651,236
Distribution fees	11,744	18,940
Commissions on guarantees	11,195	9,762
Other	25,368	4,444
	<u>1,792,435</u>	<u>1,458,344</u>
Current	1,427,993	891,183
Long-term	364,442	567,161

b. Sundry

	2015	2014
Deferred tax assets - IR/CS (note 18)	6,110,481	1,670,881
Deferred tax assets - Others	355,563	33,492
Judicial deposits	1,739,039	1,508,902
Taxes recoverable to offset	1,588,759	926,938
Tax incentive options	1,319	1,319
Securities and credits receivable		
With loan characteristics (note 10 b)	981,883	1,529,233
Without loan characteristics (i)	911,551	1,763,875
Investment properties	697,256	1,420,675
Held for sale	1,176,377	321,501
Salaries advances	96,570	41,925
Commodities inventories	10,128,757	188,754
Sundry (ii)	6,679,290	1,822,499
Advance to suppliers	1,059,222	-
Other	15,030	200,439
	<u>31,541,097</u>	<u>11,430,433</u>
Current	23,354,131	7,521,909
Long-term	8,186,966	3,908,524

- (i) On December 31, 2015, the line above has the amount of R\$190,636, relative to allowance for losses, registered in “Other receivables - Allowance for losses in other receivables”.
- (ii) Include receivables from sale of investments.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

13. Investments in associates and jointly controlled entities

	Shareholders' Equity		Associates and jointly-controlled entities	
	2015	2014	Net income (loss)	2014
In Brazil				
Banco Pan S.A.	3,643,797	3,634,486	8,052	7,823
Warehouse 1 Empreendimentos Imobiliários S.A.	40,974	110,328	(5,621)	20,156
Max Casa XIX Empreendimentos Imobiliários S.A.	23,848	37,733	4,125	2,888
ACS Omicron Empreendimentos Imobiliários S.A.	9,624	17,375	1,344	1,803
BR Properties S.A.	-	6,005,116	-	264,408
BTG Pactual Vivere Participações S.A.	-	(16,008)	-	(19,531)
Pan Seguros S.A.	673,962	669,000	3,292	54,436
Pan Corretora S.A.	59,961	49,931	10,030	9,189
Abroad				
BTG Pactual Holding S.A.R.L.	5,257,130	4,540,855	1,030,763	316,863
Maybroke Holding S.A.	1,192,369	-	(36,348)	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

	2014	Acquisition / Increase/ Transfer / (Sales)	Dividends paid	Changes in investments	
				Fair value adjustment	Equity in earnings of subsidiaries
In Brazil					
Banco Pan S.A.	1,372,933	-	(2,003)	821	5,046
Negative Goodwill - Banco Pan	(56,884)	-	-	-	-
Warehouse 1 Empreendimentos Imobs S.A.	38,614	(5,075)	(17,899)	-	(1,300)
Max Casa XIX Empreendimentos Imobs S.A.	18,866	(7,000)	(2,389)	-	2,447
ACS Omicron Empreendimentos Imobs S.A.	7,774	(4,251)	(1,118)	-	1,901
BR Properties S.A.	4,739	(4,739)	-	-	-
Vivere Soluções e Serviços S.A.	5	3,858	-	-	(3,863)
Pan Corretora S.A.	25,465	-	-	-	5,115
Ágio - Pan Corretora	1,017	-	-	-	(1,017)
Pan Seguros S.A.	347,772	-	-	290	(291)
Rede D'OR São Luiz S.A. (ii)	-	(378,574)	-	-	378,574
Goodwill - Rede D'OR São Luiz S/A	-	87,561	-	-	(87,561)
	<u>1,760,301</u>	<u>(308,220)</u>	<u>(23,409)</u>	<u>1,111</u>	<u>299,051</u>
Abroad					
BTG Pactual Holding S.A.R.L. (i)	3,632,684	-	(276,049)	-	849,069
Maybroke Holding S.A. (i)	-	266,347	-	-	329,747
Other non consolidation BSI entities (iii)	-	62,188	-	-	28,863
	<u>3,632,684</u>	<u>328,535</u>	<u>(276,049)</u>	<u>-</u>	<u>1,207,679</u>
	<u>5,392,985</u>	<u>20,315</u>	<u>(299,458)</u>	<u>1,111</u>	<u>1,506,730</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.

(ii) Note 2.

(iii) Note 3.

14. Intangible assets

	Changes in Intangible assets					2015
	2014	Acquisitions	Write off	Amortization expenses	Exchange variation	
Goodwill	490,702	-	(2,808)	(208,216)	121,794	401,472
Cost	876,282	-	(2,808)	-	193,493	1,066,967
Amortization	(385,580)	-	-	(208,216)	(71,699)	(665,495)
Other intangible assets	213,710	282,004	(487)	(54,123)	51,120	492,224
Cost	302,423	48,850	(487)	-	61,279	412,065
Acquired companies (BSI)	-	233,154	-	(1,656)	-	231,498
Amortization	(88,713)	-	-	(52,467)	(10,159)	(151,339)
	<u>704,412</u>	<u>282,004</u>	<u>(3,295)</u>	<u>(262,339)</u>	<u>172,914</u>	<u>893,696</u>

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

	2015						2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	86,743,520	76,740,936	5,232,118	3,893,186	746,356	130,924	19,292,296
Open market funding	20,308,210	15,799,558	1,315,329	1,386,406	17,715	1,789,202	38,400,362
Funds from securities issued and accepted	19,559,235	2,473,411	6,565,515	6,341,220	3,044,969	1,134,120	20,783,769
Loans and onlending	8,097,620	5,259,131	324,328	238,305	141,102	2,134,754	6,868,627
Subordinated debts and subordinated debt eligible to equity	13,457,635	390,964	657,178	2,298,319	7,690,034	2,421,140	10,916,392
	<u>148,166,220</u>	<u>100,664,000</u>	<u>14,094,468</u>	<u>14,157,436</u>	<u>11,640,176</u>	<u>7,610,140</u>	<u>96,261,446</u>

b. Deposits

	2015						2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	64,196,932	64,196,932	-	-	-	-	168,293
Interbank deposits	1,475,367	1,231,990	154,046	69,050	20,281	-	769,819
Time deposits	21,071,221	11,312,014	5,078,072	3,824,136	726,075	130,924	18,354,184
	<u>86,743,520</u>	<u>76,740,936</u>	<u>5,232,118</u>	<u>3,893,186</u>	<u>746,356</u>	<u>130,924</u>	<u>19,292,296</u>

(i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. Vide Note 1.

The deposits have rates between 2.33% p.a and 19% p.a.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

c. Open market funding

Open market funding has collateral on the following securities:

	2015						2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	8,432,562	7,416,453	651,060	365,049	-	-	9,015,812
Federal government bonds	6,732,642	6,732,642	-	-	-	-	2,291,604
Corporate securities	1,699,920	683,811	651,060	365,049	-	-	6,034,795
Foreign government bonds	-	-	-	-	-	-	689,413
Third-party portfolio	6,244,030	6,244,030	-	-	-	-	16,565,544
Federal government bonds	6,235,603	6,235,603	-	-	-	-	15,870,790
Corporate bonds	8,427	8,427	-	-	-	-	389,856
Foreign government bonds	-	-	-	-	-	-	304,898
Unrestricted portfolio (i)	5,631,618	2,139,075	664,269	1,021,357	17,715	1,789,202	12,819,006
Federal government bonds	5,631,618	2,139,075	664,269	1,021,357	17,715	1,789,202	12,819,006
	<u>20,308,210</u>	<u>15,799,558</u>	<u>1,315,329</u>	<u>1,386,406</u>	<u>17,715</u>	<u>1,789,202</u>	<u>38,400,362</u>

(i) From the unrestricted portfolio, R\$3,042,507 (December 31, 2014 – R\$3,660,021) refers to short position and R\$2,589,111 (December 31, 2014 – R\$9,416,328) to third-party portfolio.

d. Funds from securities issued and accepted

	2015						2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	12,956,775	1,195,603	5,455,246	5,200,848	782,780	322,298	13,333,229
Financial bills	11,349,904	722,642	4,726,072	4,799,811	779,081	322,298	10,195,820
Mortgage bonds/letters of credit for agribusiness	1,588,789	458,118	725,935	401,037	3,699	-	3,105,583
Certificates of structured transactions	18,082	14,843	3,239	-	-	-	31,826
Securities – abroad	6,602,460	1,277,808	1,110,269	1,140,372	2,262,189	811,822	7,450,540
Medium term notes	6,295,976	1,233,083	910,737	1,093,979	2,246,355	811,822	7,297,626
Fixed rate notes and others	306,484	44,725	199,532	46,393	15,834	-	152,914
	<u>19,559,235</u>	<u>2,473,411</u>	<u>6,565,515</u>	<u>6,341,220</u>	<u>3,044,969</u>	<u>1,134,120</u>	<u>20,783,769</u>

(i) During the year, gains in the amount of approximately R\$356,083 million relating to notes acquired was recognized by the Bank, below par.

As at December 31, 2015, securities in Brazil were basically indexed o interest referenced rates (CDI) between 86% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a. (December 31, 2014 – indexed to (CDI) between 50% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a.).

On December 31, 2015, securities abroad have rates between 1.2% p.a. and 7% p.a. (December 31, 2014 – between 0.75% p.a. and 7% p.a.).

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

e. Loans and onlending

	2015						2014
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	4,884,242	4,796,287	86,333	1,622	-	-	4,411,564
Foreign currency	156,164	85,706	70,458	-	-	-	-
Loans abroad	4,728,078	4,710,581	15,875	1,622	-	-	4,411,564
Loans - Brazil	817,332	459,829	200,435	149,713	-	7,355	799,240
Loans	817,332	459,829	200,435	149,713	-	7,355	799,240
Onlending in Brazil	2,396,046	3,015	37,560	86,970	141,102	2,127,399	1,657,823
FINAME/BNDES	2,396,046	3,015	37,560	86,970	141,102	2,127,399	1,657,823
	<u>8,097,620</u>	<u>5,259,131</u>	<u>324,328</u>	<u>238,305</u>	<u>141,102</u>	<u>2,134,754</u>	<u>6,868,627</u>

On December 31, 2015, loans and onlending have rates of 0.73% p.a. and 6% a.a. (December 31, 2014 – between 1.78% p.a. and 11.25% p.a.).

f. Subordinated debt and debt instrument eligible to capital

Type - original currency	2015					2014
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	6,084,767	5,403,116
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,821,507	2,015,440
Subordinated debt - CHF	100,000	23/12/2011	23/12/2021	5.25%	390,964	-
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	5,160,397	3,497,836
Total					<u>13,457,635</u>	<u>10,916,392</u>

(i) Financial bills have different maturities and have interests and principal generally amortized every six months.

(ii) During the year, gains in the amount of approximately R\$67,108 million relating to notes acquired was recognized by the Bank, below par.

16. Other obligations

a. Social and statutory

	2015	2014
Dividends and profit sharing payable	653,401	327,294
Employees' profit sharing	1,002,030	448,710
Other benefits	222,378	432,324
	<u>1,877,809</u>	<u>1,208,328</u>
Current	1,877,809	1,208,328
Long term	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

b. Tax and social security

	2015	2014
Tax and contributions to be collected	375,922	144,765
Tax and contribution payable	1,403,539	346,845
Deferred social contribution and income tax (Note 18)	410,370	445,734
Deferred PIS and COFINS	70,649	96,783
Suspended-payment taxes and others tax liabilities (Note 17 (c))	1,483,735	1,398,983
	<u>3,744,215</u>	<u>2,433,110</u>
Current	2,286,615	1,201,539
Long term	1,457,600	1,231,571

c. Sundry

	2015	2014
Payable for acquisition of assets and rights (i)	1,041,588	1,034,142
Accounts payable - personnel	1,368,810	450,214
Provision for contingent liabilities (Note 17(c))	872,048	742,250
Payable collateral in physical commodities	5,209,221	-
Trade payables for commodities	1,141,893	-
Other creditors - Brazil	1,787,307	1,291,646
Other creditors - Abroad	1,677,909	-
Allowance for guarantees (Note 10(e))	196,118	236,139
Obligations related to transferred loans	492,317	196,266
Other	82,508	3,115
	<u>13,869,719</u>	<u>3,953,772</u>
Current	10,091,231	1,964,522
Long term	3,778,488	1,989,250

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.).

17. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' Management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at the year ended December 31, 2015 and 2014 the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are recorded based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counselors and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to other legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings as at December 31, 2015 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes in the years are as follows:

	2015				2014
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	1,398,983	702,372	39,878	2,141,233	792,487
Recognition	214,679	282,525	26,409	523,613	265,911
Acquired companies (BSI)	-	212,068	-	212,068	1,532,802
Write-off	(129,927)	(354,413)	(36,791)	(521,131)	(449,967)
Balance at the end of the year	1,483,735	842,552	29,496	2,355,783	2,141,233
Suspended-payment taxes and other taxes contingencies				1,483,735	1,398,983
Provision for contingent liabilities				872,048	742,250

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

The Bank's and its subsidiaries have been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a possible loss by internal and external counsel are fully recorded in provision. The main legal disputes are the following:

COFINS ("Social security financing tax") - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSL ("Social contribution tax") - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

As at December 31, 2015, Banco BTG Pactual and its subsidiaries were parties to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$852.5 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of BM&F Bovespa, challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$18.5 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- In October 2012, we received a tax assessment, which in December 31, 2015 totalled R\$2,139 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which cancel the isolated fine in the amount of R\$329.7 million. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,643 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties for part of these losses. Accordingly, in no event do we do not to incur any material losses in connection with this matter.

ii. Provision for other contingent liabilities

As at December 31, 2015, BTG Pactual and its subsidiaries were part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

	2015	2014
Income tax and social contribution		
Tax base	1,388,389	2,466,887
Income before taxes and profit sharing	3,837,594	3,947,986
Statutory profit sharing	(1,534,451)	(881,099)
Interest on equity	(914,754)	(600,000)
Total charge of income tax and social contribution at the current rates	(555,356)	(986,755)
Permanent (additions) / deductions in taxation calculation	2,092,350	533,038
Equity pick up in associated and jointly controlled companies in Brazil	(205,379)	110,018
Income/(loss) of foreign exchange on foreign investments	2,065,706	374,387
Foreign earnings	(203,245)	(284,218)
Dividends	137,903	439,751
Other Permanent (additions) / deductions	297,365	(106,900)
Temporary (additions) / deductions on the taxation calculation	(3,194,627)	(260,408)
Reversal of provision for goodwill on the acquisition of investments	128,445	141,523
Interest on equity	119,280	(119,280)
Fair value of securities and derivatives	(2,997,685)	(24,972)
Allowance for loan losses	(373,225)	(197,833)
Tax contingencies and provision for suspended-payment taxes	13,763	(14,585)
Non-permanent impairment of investments	-	26,120
Other provisions	(85,205)	(71,381)
Increase in CSLL - 5%	(61,352)	-
Offset of tax losses carry forward - Brazil	(27,832)	(226,078)
Tax and social contribution expense	(1,746,817)	(940,203)
Temporary differences		
Recognition / (reversal) of the year	3,085,447	271,823
Recognition / (reversal) of tax losses carry forward	314,281	219,136
Recognition on foreign companies tax losses carry forward	396,533	528,085
Recognition / (reversal) of loss on investment abroad	545,025	7,580
Increase in CSLL - 5% - prior periods	565,090	-
Revenues / (Expenses) from deferred taxes	4,906,376	1,026,624
Total revenues / (expenses)	3,159,559	86,421

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	2014	Recognition	Realization (i)	2015
Tax loss carryforwards	239,956	-	-	239,956
Tax loss - current year	-	622,000	(57,483)	564,517
Interest on equity	119,280	-	(119,280)	-
Allowance for loan losses	370,928	528,889	(155,234)	744,583
Marked-to-market evaluation of securities and derivatives	286,461	15,157,294	(12,157,756)	3,285,999
Goodwill on the acquisition of investment	267,505	-	(129,310)	138,195
Tax contingencies and provision for suspended-payment taxes	213,913	-	(30,069)	183,844
Other temporary differences	172,838	368,396	(14,610)	526,624
Tax increase effect - 5% CSLL	-	305,558	-	305,558
	<u>1,670,881</u>	<u>16,982,137</u>	<u>(12,663,742)</u>	<u>5,989,276</u>
Reflected on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	-	14,045	-	14,045
Others	-	107,160	-	107,160
	<u>1,670,881</u>	<u>17,103,342</u>	<u>(12,663,742)</u>	<u>6,110,481</u>
Income tax and social contribution	2013	Recognition	Realization (i)	2014
Tax loss carryforwards	13,878	255,758	(29,680)	239,956
Interest on equity	-	240,000	(120,720)	119,280
Provision for impairment on investments (ii)	26,120	-	(26,120)	-
Allowance for loan losses	173,095	230,458	(32,625)	370,928
Marked-to-market evaluation of securities and derivatives	261,489	1,768,380	(1,743,408)	286,461
Goodwill on the acquisition of investment	409,028	-	(141,523)	267,505
Tax contingencies and provision for suspended-payment taxes	199,328	14,585	-	213,913
Other temporary differences	89,405	157,303	(73,870)	172,838
	<u>1,172,343</u>	<u>2,666,484</u>	<u>(2,167,946)</u>	<u>1,670,881</u>

(i) On December 31, 2015, the amount of R\$587,981 (December 31, 2014 – R\$528,085), refers to recovery paid taxes from investments abroad

(ii) Refers to the tax credit provision for loss on investment in the company BR Properties S.A..

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2016	2,219,987	315,946	2,535,933
2017	1,453,345	221,330	1,674,675
2018	1,453,345	266,847	1,720,192
2019 onwards	179,681	-	179,681
Total	<u>5,306,358</u>	<u>804,123</u>	<u>6,110,481</u>
Present value	<u>4,025,786</u>	<u>604,288</u>	<u>4,630,074</u>

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

As at December 31, 2015 tax credits in the amount of R\$1,323,501 (December 31, 2014 – R\$1,457,275), from tax losses calculated between the period of 1993 and 2010, were not registered on the parent company, Banco Sistema S.A. (formerly named Banco Bamerindus do Brasil S.A.). These tax credits will be registered, when they attend regulatory aspects and demonstrate realization perspective, in accordance with the management studies and analysis and BACEN standards.

Deferred income tax and social contribution liabilities amounts to R\$410,370 (December 31, 2014 - R\$445,734), according to note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

19. Shareholders equity

a. Capital

As at December 31, 2015, fully subscribed and paid in capital consists of 2,756,103,006 shares (December 31, 2014 – 2,714,902,212), of which 1,404,405,002 common shares (December 31, 2014 – 1,390,671,404), 535,847,600 class A preferred shares (December 31, 2014 – 508,380,404) and 815,850,404 class B preferred shares (December 31, 2014 – 815,850,404), all no-par, registered shares.

At Special General Meeting held on September 15, 2015, was approved capital increase of R\$773,663, with issuance of 33,634,410 common shares and 67,268,820 Class A preferred shares, both nominative and without par value.

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

The Class A Preferred Shares shall have the right to be included in acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Bank's Shareholders' Agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

b. Treasury shares

During the year ended December 31, 2015, the Bank approved buyback program and shares cancellation, as described in note 1.

c. Legal reserve

This reserve is established at the rate of 5% of net income for the year, before any other allocation, limited to 20% of capital.

d. Statutory reserve

According to the Bank's Bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of capital.

e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

f. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income in accordance with Article 202 of Law 6404/76.

As at February 25, 2015, the Bank has approved the distribution of dividends, in the amount of R\$106,130, equivalent to R\$0.04 per share, which refers to prior periods. The payment of such dividends, occurred on March 10, 2015.

As at June 30, 2015 the Bank has accrued R\$422,000 (June 30, 2014 – R\$301,800), relating to interest on equity, equivalent to R\$0.16 per share (June 30, 2014 - R\$0.11 per share) which generated R\$168,800 (June 30, 2014 – R\$120,720) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2015 (June 2014 – August 5, 2014), and the payment occurred on March 5, 2015.

As at August 05, 2015, the Bank has approved the distribution of dividends in the amount of R\$47,324, equivalent to R\$0.02 per share. As at June 30, 2014 the Bank has accrued R\$146,639, relating to intermediate dividends, equivalent to R\$0.05 per share. These amounts were approved in the Special Shareholders' Meeting held on August 5, 2014 (2013 – February 18, 2014).

As at December 31, 2015 the Bank has accrued R\$492,754 (December 31, 2014 - R\$298,200), relating to interest on equity, equivalent to R\$0.18 per share (December 31, 2014 – R\$0.11 per share), which generated R\$197,102 (December 31, 2014 - R\$119,280) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 28, 2015 (December 31, 2014 – December 30, 2014).

g. Reconciliation of net income (loss) and shareholders equity

	Shareholders' equity		Net income	
	2015	2014	2015	2014
Banco BTG Pactual S.A.	19,658,799	14,678,862	5,623,498	3,368,153
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (*)	54,465	54,465	-	1,093
Banco BTG Pactual S.A. Consolidated	19,713,264	14,733,327	5,623,498	3,369,246

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

(*) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.

20. Income from services rendered

	2015	2014
Management and performance fee from investment funds and portfolios	1,822,961	1,562,961
Brokerage	381,150	197,122
Technical services	827,109	707,478
Commission on the placement of securities	221,402	214,554
Guarantees	235,395	165,925
Other services	17,508	69,993
	<u>3,505,525</u>	<u>2,918,033</u>

21. Other operating income

	2015	2014
Recovery of charges and expenses	19,329	6,324
Reversal of allowances - other	117,720	160,270
Reversal of provision - contingencies	562,192	8,826
Adjustment to inflation of judicial deposits	312,895	154,244
Exchange gains	288,504	108,314
Fair value of assets held for sale	560,582	-
Fair value of investment properties	-	42,753
Adjustment of amounts payable for acquisition of investments	217,269	108,872
Other operating income	157,976	50,729
	<u>2,236,467</u>	<u>640,332</u>

22. Other operating expenses

	2015	2014
Expenses with taxes adjusted for inflation	175,364	46,820
Exchange rate variation	404,298	47,593
Reimbursement of clients	11,085	2,874
Monetary variation expenses	45,302	-
Adjustment of amounts payable for acquisition of investments (i)	247,009	68,843
Goodwill amortization (ii)	188,145	167,611
Discounts granted in renegotiation	303,727	-
Allowance for other receivables without loan characteristics	184,708	-
Net expenses of physical commodities	272,766	-
Other	195,699	108,615
	<u>2,028,103</u>	<u>442,356</u>

(i) Refers to update of amount payable for the acquisition of investments (mainly Banco Pan S.A. and Banco Sistema S.A.).

(ii) There was basically goodwill amortization from Celfin and Bolsa y Renta.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

23. Other administrative expenses

	2015	2014
Outsourced services and consulting	743,112	547,380
Telecommunications and data processing	413,789	264,847
Leases and condominiums	160,095	106,337
Travel and lodging	108,881	88,271
Expenses of the financial system	369,906	77,047
Advertising and public relations	71,394	52,019
Depreciation and amortization	109,318	67,420
Other	116,251	146,654
	<u>2,092,746</u>	<u>1,349,975</u>

24. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

	Relationship	Maturity	Assets/(Liabilities)		Revenues/(Expenses)	
			2015	2014	2015	2014
Assets						
Open market investments						
- Banco Pan S.A. (i)	Jointly Controlled	04/01/2016	630,001	-	27,648	-
Interbank investments deposits						
- Banco Pan S.A. (i)	Jointly Controlled	04/01/2016	310,000	2,518,106	213,264	176,482
Securities						
- BTG Investments LP	Related	17/04/2018	200,362	177,301	16,806	-
- Banco Pan S.A. (i)	Jointly Controlled	23/04/2020	23,040	55,135	(14,985)	-
Derivative financial instruments						
- Banco Pan S.A. (i)	Jointly Controlled	22/04/2020	2,025	2,204	5,457	-
Loans and Receivables						
- BSI UK Holding	Related	14/09/2025	3,663,406	-	-	-
Income Receivable						
- BTG Pactual Brazil Investment Fund I LP	Subsidiary and	No maturity	171,970	65,037	38,577	32,617
- BTG Absolute Return Master Fund II	Related Jointly Controlled	No maturity	12,952	8,391	65,769	-
Liabilities						
Time deposits						
- BTG Investments LP	Related	02/01/2016	(735,287)	-	(11,380)	-
- BTG Pactual Proprietary Feeder (1) Limited	Related	02/01/2016	(221,463)	(78,977)	-	-
- Others	Subsidiary and Related	02/01/2016	(54,313)	-	(7)	-
Open market funding						
- FIP Turquesa	Related	30/06/2016	(165,336)	-	-	-
- BRPEC Agropecuária (i)	Related	30/06/2016	(190,100)	-	-	-
Funds from securities issued and accepted						
- Sócios e pessoal chave da administração	Partners	Sem Prazo	-	(41,636)	-	-
Securities issued abroad						
- BTG MB Investments LP	Related	18/09/2019	(404,162)	(1,418,052)	(140,015)	-
- BTG Investments LP (i)	Related	17/04/2018	(1,930,422)	-	(37,423)	-
Derivative financial instruments						
- Banco Pan S.A. (i)	Jointly Controlled	22/04/2020	(346,714)	(129,983)	(226,337)	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais, otherwise indicated)

(i) Subsidiaries of BTG Pactual Participations Ltd.

Total compensation paid to key management personnel totaling this year R\$68,930 (December 31, 2014 – R\$46,316) which is considered short term benefit.

25. Other information

a. Cash and cash equivalents

Balances at beginning of the year

Cash and cash equivalents
Open market investments
Interbank deposits

2015	2014
1,585,254	1,074,026
16,356,157	6,688,247
4,480,899	2,992,892
22,422,310	10,755,165

Balances of end of the year

Cash and cash equivalents
Open market investments
Interbank deposits

2015	2014
20,490,900	1,585,254
9,073,969	16,356,157
8,864,471	4,480,899
38,429,340	22,422,310

b. Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

	2015	2014
Co-obligation and risks for guarantees granted	13,898,659	11,834,916
Responsibility for the management of futures and investment portfolio (i)	238,400,200	213,884,308
Securities	35,765,526	-
Securities under custody	1,106,442,487	222,719,863
Securities trading and brokerage	1,879,311,558	1,938,364,154
Loans contract to release	940,768	2,541,953
Commitments to be released	128,280	1,113,960

(i) Recognized by the sum of the equity values of funds and investment portfolios

“Co-obligations and risks for guarantees granted” mainly comprises guarantees granted or assets allocated to exchange trading securities.

“Securities under custody” reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

“Securities trading and brokerage” represents amounts from derivatives purchase and sale agreements related to third-party transactions.

“Loans contracted to release” register amounts related to loans contracted with clients to release.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

The item "Commitments to be released" registers amounts related to the financial commitments of the Bank with its investees.

c. Pension plan

BSI contributes to pension plan entities which provide post-employment benefits to current and retires employees. The most relevant pension schemes related to the Swiss employees whereas BSI's employees, through these entities, are enrolled in these mandatory occupational pension schemes in accordance with the Swiss Federal Law. These pension entities have their assets and obligations segregated from BSI and they are jointly managed by employees and BSI's representatives.

The pension benefits provided by these entities changed significantly on January 2015; and from that date onwards are considered defined contribution rather than defined benefit under Swiss GAAP. Under the old plan, pension benefits were calculated substantially based on a percentage of the last salaries; and under the new plan, pension benefits are calculated by applying the conversion rate to the assets accumulated by the insured person at the date of retirement.

AS of December 31, 2014, the last date of audited information from these entities, and taking into account the changes applicable from January 2015 onwards, BSI's management and its actuarial specialist estimated that there were no actuarial deficit under Swiss GAAP. BSI's management periodically review and update its pension plan conditions with the intention of ensuring consistency to the accounting practices and intentions of the Bank.

26. Subsequent event

As of January 12, 2016, the Bank announced that it is currently engaged in discussions regarding the potential sale of its shareholding interest in Pan Seguros S.A. and in Pan Corretora S.A. Until the date of its financial statements closing, the Bank cannot confirm (i) of the potential interested parties will reach an agreement regarding the terms and conditions related to the transaction, and (ii) should the potential interested parties enter into a binding instrument regarding the transaction, if eventual conditions precedent to be agreed upon among the parties will be effectively complied with, thus enabling the closing of the transaction.

As of January 14, 2016, the Bank informed that the Bank received indicative, non-binding offers from third parties regarding the acquisition of BSI S.A., and the Board of Directors has authorized the negotiation. Until the date of its financial statements closing, the Bank cannot confirm whether the potentially interested parties will reach an agreement regarding the terms and conditions relating to this transaction.

As at January 28, 2016 the Bank announced a cost reduction program, targeting a 25% decrease in total costs. As part of this program, BTG Pactual dismissed in this date 305 employees of a total of 1,653 in Brazil.

Following the buyback program and share cancellations, on December 15, 2016, were canceled 19,925,230 common shares and 39,850,460 preferred shares issued by the Bank. Also the Companies' Board of Directors approved, the acquisition of up to 19,068,708 units, in compliance with the limit of 10% of the outstanding shares, to be held in treasury.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

December 31, 2015

(In thousands of reais, otherwise indicated)

On February 17, 2015, the sale transaction, described in Note 2, was approved by Conselho Administrativo de Defesa Econômica (CADE).

On February 18, 2016, short-term liquidity KPI is equivalent to 150% for the Prudencial Conglomerate.

On February 19, 2016, the Bank announced that it is in exclusive negotiations with EFG International, in relation to a potential acquisition of BSI S.A.. Until the date of its financial statements closing, the Bank cannot confirm whether the parties will reach an agreement regarding the terms and conditions relating to this transaction.