Financial Statements

BTG Pactual Participations Ltd.

December 31, 2015
with independent auditors' report

BTG Pactual Participations Ltd.

Financial statements

As of December 31, 2015

Content

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 8º Andares - Botafogo
22250-040 - Rio de Janeiro - RJ - Brasil

Tel.: (5521) 3263-7000
ey.com.br

A free translation from Portuguese into English of the Independent Auditors' Report on financial statements prepared in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To
The Board of Directors and Shareholders of
BTG Pactual Participations Ltd.
Bermuda

We have audited the accompanying financial statements of BTG Pactual Participations Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2015 and the related statements of income, comprehensive 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 Company'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 Company'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 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 financial statements referred to above present fairly, in all material respects, the financial position of BTG Pactual Participations Ltd. ("Company") as at December 31, 2015, the performance of its operations and its respective cash flows for the year then ended, in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB.

Emphasis of matters

We draw attention to Note nº 1 to the financial statements, which indicates that the Company 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 Company'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.

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

BTG Pactual Participations Ltd.

Balance sheets
As of December 31
(In thousands of reais)

Assets	Note	12/31/2015 (1)	12/31/2014
Cash at banks	5	-	1,299,095
Open market investments	6	-	8,795,779
Derivative financial instruments	7a	-	1,581,724
Financial assets held for trading	7b	-	33,047,812
Investment entity portfolio (1)	8	723,829	-
Financial assets available for sale	7d	-	1,474,124
Loans and receivables	7e	-	2,193,872
Due from brokers	9	-	3,960,172
Investments in associates and joint ventures	10	-	1,380,774
Investment properties	11	-	770,862
Other assets		-	789,421
Total assets		**723,829**	**55,293,635**
Liabilities			
Open market funding	6	-	33,862,842
Derivative financial instruments	7a	-	1,597,524
Financial liabilities held for trading	7c	-	3,572,602
Financial liabilities at amortized cost	7f	-	7,076,835
Due to brokers	9	540	2,039,768
Other liabilities		-	2,995,897
Total liabilities		**540**	**51,145,468**
Shareholders' equity			
Capital stock and share premium	12	1,328,880	1,125,180
Treasury shares	12	(32,665)	-
Other comprehensive income		600,930	192,890
Accumulated losses		(1,173,856)	(283,693)
Total shareholders' equity		**723,289**	**1,034,377**
Non-controlling interest		-	3,113,790
Total shareholders' equity and non-controlling interest		**723,289**	**4,148,167**
Total liabilities and shareholders' equity		**723,829**	**55,293,635**

(1) Refer to Note 2(a) regarding the application of the investment entity guidance.

The accompanying notes are an integral part of these financial statements.

BTG Pactual Participations Ltd.

Consolidated statements of income

Years ended December 31
(In thousands of reais, except for loss per share)

	Note	2015 (1)	2014
Interest income	14a	180,872	129,573
Interest expenses	14b	(957,310)	(677,913)
Interest expenses, net		**(776,438)**	**(548,340)**
Gains on financial instruments held for trading	15	174,197	237,576
Gains on financial assets designated at fair value through profit and loss		75,429	-
Net income on financial assets available for sale:			
Dividends received		16,248	-
Impairment losses recycling	16	(188,450)	(28,958)
Gains on fair value of investment properties		-	364,388
Equity pickup in associates and joint ventures, before change of status to investment entity	10	(117,650)	(274,296)
Other operating income, net		46,247	293,055
Total (expenses) / income		**(770,417)**	**43,425**
Administrative expenses	17	(157,236)	(271,972)
Other expenses		(300,247)	(176,214)
Loss for the year before change in status		**(1,227,900)**	**(404,761)**
Loss on investment entity portfolio measured at fair value	18	(53,231)	-
Foreign exchange reclassification - change in status	2a	(818,337)	-
Loss for the year after change in status		**(2,099,468)**	**(404,761)**
Net loss attributed to:			
Controlling shareholders		(584,542)	(99,120)
Non-controlling shareholders		(1,514,926)	(305,641)
Loss per share (basic and diluted - R$)	13	(0.83)	(0.15)

(1) Refer to Note 2(a) regarding the application of the investment entity guidance.

The accompanying notes are an integral part of these financial statements.

BTG Pactual Participations Ltd.

Consolidated statements of comprehensive income

Years ended December 31
(In thousands of reais)

	Note	2015 (1)	2014
Net loss for the year		(2,099,468)	(404,761)
Other comprehensive income/(loss) to be reclassified to profit or loss:		(206,020)	(251,550)
Share of other comprehensive income of non-controlled entities:			
Realized losses due to impairment		-	58,318
Unrealized		-	(10,172)
Foreign exchange		233,190	(140,753)
Recycling of foreign exchange - change in status		(233,190)	-
Movements in financial assets available for sale:			-
Realized losses due to impairment - before change in status	16	188,450	28,958
Unrealized - before change in status		(882,403)	(229,881)
Recycling - financial assets available for sale - change in status		693,953	-
Exchange differences on translation of controlled entities		(835,897)	41,980
Recycling - exchange differences on translation of controlled entities - change in status		835,897	-
Derecognition of non-controlling interest		(353,042)	-
Recycling of other comprehensive income from previous years - change in status		147,022	-
Other comprehensive income not to be reclassified to profit or loss:		1,397,427	664,797
Currency translation adjustments		1,397,427	664,797
Total comprehensive (loss) / income for year		**(908,061)**	**8,486**
Total comprehensive income/(loss) attributed to:			
Controlling shareholders		606,865	4,822
Non-controlling shareholders		(1,514,926)	3,664

(1) Refer to Note 2(a) regarding the application of the investment entity guidance.

The accompanying notes are an integral part of these financial statements.

BTG Pactual Participations Ltd.

Statement of changes in shareholders’ equity
Years ended December 31
(In thousands of reais)

			Other comprehensive income						
	Note	Capital stock and share premium	From Company	From non-controlled entities	Treasury shares	Accumulated losses	Total shareholders' equity	Non-controlling interest	Total shareholders' equity and non-controlling interest
Balance as of December 31, 2013		**1,099,084**	**103,400**	**(14,452)**	**-**	**(184,573)**	**1,003,459**	**3,136,222**	**4,139,681**
Transactions with shareholders		26,096	-	-	-	-	26,096	(26,096)	**-**
Net loss of the period		-	-	-	-	(99,120)	(99,120)	(305,641)	**(404,761)**
Share of other comprehensive income of non-controlled entities:									
Realized losses due to impairment		-	-	14,180	-	-	14,180	44,138	**58,318**
Unrealized		-	-	(2,465)	-	-	(2,465)	(7,707)	**(10,172)**
Foreign exchange	10	-	-	(35,262)	-	-	(35,262)	(105,491)	**(140,753)**
Movements in financial assets available for sale:									
Realized losses due to impairment	16	-	7,054	-	-	-	7,054	21,904	**28,958**
Unrealized		-	(56,698)	-	-	-	(56,698)	(173,183)	**(229,881)**
Exchange differences on translation of controlled entities		-	10,517	-	-	-	10,517	31,463	**41,980**
Currency translation adjustments		-	166,616	-	-	-	166,616	498,181	**664,797**
Balance as of December 31, 2014		**1,125,180**	**230,889**	**(37,999)**	**-**	**(283,693)**	**1,034,377**	**3,113,790**	**4,148,167**
Capital contribution	12	203,700	-	-	-	-	203,700	-	**203,700**
Repurchase of shares	12	-	-	-	(112,614)	-	(112,614)	-	**(112,614)**
Cancelation of treasury shares	12	-	-	-	79,949	(79,949)	-	-	**-**
Net loss of the year after change of status		-	-	-	-	(584,542)	(584,542)	(1,514,926)	**(2,099,468)**
Share of other comprehensive income of non-controlled entities:									
Foreign exchange		-	-	58,419	-	-	58,419	174,771	**233,190**
Recycling - foreign exchange		-	-	(58,419)	-	58,419	-	-	**-**
Movements in financial assets available for sale:									
Realized losses due to impairment		-	47,211	-	-	-	47,211	141,239	**188,450**
Unrealized		-	(221,042)	-	-	-	(221,042)	(661,361)	**(882,403)**
Recycling - financial assets available for sale		-	221,042	-	-	(221,042)	-	-	**-**
Exchange differences on translation of controlled entities		-	(209,411)	-	-	-	(209,411)	(626,486)	**(835,897)**
Recycling - exchange differences on translation of controlled entities		-	209,411	-	-	(209,411)	-	-	**-**
Currency translation adjustments		-	213,807	-	-	-	213,807	1,183,620	**1,397,427**
Investment entity - Change in status (1)	2a	-	109,023	37,999	-	146,362	293,384	(1,810,647)	**(1,517,263)**
Balance as of December 31, 2015		**1,328,880**	**600,930**	**-**	**(32,665)**	**(1,173,856)**	**723,289**	**-**	**723,289**

(1) Refer to Note 2(a) regarding the application of the investment entity guidance.

The accompanying notes are an integral part of these financial statements.

BTG Pactual Participations Ltd.

Statements of cash flows
Years ended December 31
(In thousands of reais)

	Note	2015 (1)	2014
Operating activities			
Net loss for the year		(2,099,468)	(404,761)
Adjustments to the loss for the year			
Equity pickup in associates and joint ventures	10	117,650	274,295
Impairment on financial assets available for sale	16	188,450	28,958
Financial assets measured at fair value through profit or loss		81,892	-
Gains on fair value of investment properties		-	(364,388)
Adjusted loss for the year		(1,711,476)	(465,896)
(Increase)/decrease in operating assets, net			
Derivative financial instruments		1,314,424	(149,566)
Financial assets held for trading		24,327,852	6,237,724
Financial assets designated at fair value		(2,150,464)	-
Financial assets available for sale		(528,705)	(120,789)
Loans and receivables		(690,326)	(1,190,508)
Due from brokers		2,713,546	477,034
Receivable from related parties		203,700	-
Other assets		163,111	(619,209)
Increase/(decrease) in operating liabilities, net			
Open market funding		(27,829,470)	(3,812,158)
Derivative financial instruments		(1,206,850)	(89,415)
Financial liabilities held for trading		(3,017,657)	(1,482,709)
Due to brokers		(1,514,776)	893,186
Payable to related parties		(203,700)	-
Other liabilities		(92,866)	(698,564)
Cash used in operating activities		(10,223,657)	(1,020,870)
Investment activities			
Capitalization/acquisition of associates and joint ventures		(101,383)	27,490
Sale/transfer of associates and joint ventures	10	209,686	1,065,956
Dividends received		26,120	91,270
Cash provided by investing activities		134,423	1,184,716
Financing activities			
Repurchase/cancelation of treasury shares		(10,509)	-
Financial liabilities at amortized cost		1,435,003	2,005,230
Cash provided by financing activities		1,424,494	2,005,230
(Decrease)/increase in cash and cash equivalents		**(8,664,740)**	**2,169,076**
Balance of cash and cash equivalents			
At the beginning of the year		10,094,874	7,995,798
Foreign exchange gains on cash and cash equivalents		278,254	70,000
Investment entity - change in status		1,151,880	-
At the end of the year		-	10,094,874
(Decrease)/increase in cash and cash equivalents		**(8,664,740)**	**2,169,076**
Non-cash transactions			
Repurchase of shares	1	(32,665)	-
Transactions with shareholders		-	(26,096)

(1) Refer to Note 2(a) regarding the application of the investment entity guidance.

The accompanying notes are an integral part of these financial statements.

1. Operations

BTG Pactual Participations Ltd ("BTGP" or "Company") was incorporated as a tax exempted Limited Liability Company under the laws of Bermuda on March 26, 2010. On December 29, 2010, the Bermuda monetary authority approved the incorporation of the Company. The Company headquarters is located on Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda.

The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2035, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

Banco BTG Pactual S.A. ("BTG Pactual" or "Bank") and BTGP (together with BTG Pactual, the "Group") have units listed 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

The Company is the sole owner of BTG Bermuda LP Holdco Ltd ("BTG Holdco") which, on December 29, 2010, received a Class C common share from BTG Pactual Management Ltd and thus became general partner of BTG Investments LP ("BTGI"). As a consequence of this transaction, the Company obtained the right to control the financial and operating policies of BTGI.

BTGI was formed in 2008 and makes proprietary capital investments in a wide range of financial instruments, including merchant banking investments in Brazil and overseas, and a variety of financial investments in global markets.

BTG Pactual's asset management area manages BTGI's assets, which do not have their own management, and receives fees at arm's length.

Since November 25, 2015, Group has been affected by a series of news regarding Mr. André Esteves, and has taken measures to ensure the Group ability to function in the normal course of business. Even though the Group 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 Mrs. 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 current controlling shareholder, which will now be exercised by the Top Seven Partners, through a holding company established by them.

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.

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 concluded in April 2016.

Buyback Program

On November 25, 2015, the Management approved a stock 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 95,920,626 shares, 31,973,542 class A and 63,947,084 class B shares corresponding to R$112,614 were repurchased. As at December 31, approximately 36,218,190 shares, being 12,072,730 class A shares and 24,145,460 class B shares which totals R$32,665 are held in treasury and 59,702,436 shares (19,900,812 class A shares, and 39,801,624 class B shares), corresponding to R$79,949 had been canceled during the year.

Acquisitions and sales

On December 8, 2015 the Company, through its subsidiary, Aigues de Catalunya Ltd ("ADC") signed promise to sell the totality of its interests in ATLL Concessionaria de LaGeneralitat de Catalunya S.A. ("ATLL") as follow: (i) Sale of 95% of Company's interest in ATLL's equity for EUR19.34 million (R$79.78 million), being the receipt of the remaining balance equivalent to 5% of its interest, subject to the fulfillment of precedent conditions, and (ii) liquidation of the credit agreement granted by ADC to ATLL in the amount of EUR54.76 million (R$ 225.85 million). As consequence of this sale, Company registered a loss in the amount of EUR32.25 million (R$137.06 million).

The financial statements were approved by the Management on February 19th, 2016 and they contain a true and fair view of the financial position and results of the Company.

2. Presentation of financial statements

The Company's financial statements were prepared and are being presented in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board (IASB).

Going concern

Management evaluated the Company's capacity to continue operating as usual and has concluded that the Company 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. IFRS 10 Consolidated Financial Statements – Investment Entities (Amendment)

On September 30, 2015, the Company reassessed the application of the investment entities guidance from IFRS 10, Consolidated Financial Statements, and concluded that it became an investment entity as a result of the restructuring of the vehicles, through which certain of our global capital markets investment activities had been carried out, and change in the way Management conducts the business. The change in status to investment entity caused significant changes, mainly to the presentation of the financial statements, and we believe it provides enhanced transparency in its investments to the ultimate shareholders, and users of its financial statements.

The objective of the restructuring, initiated in early 2015, was to reduce the operational costs of maintaining similar trading strategies in the funds in which we invest directly, BTG Pactual Absolute Return II LP ("ARF II") and BTG Pactual Absolute Return LP ("ARF"), and the fund in which BTG Pactual's other clients invest with similar strategies, BTG Pactual Global Emerging Markets and Macro Fund Limited ("GEMM"). Accordingly, BTGI reduced the positions in ARF and ARF II; funds consolidated in our financial statements, and reallocated substantial portions of such proprietary capital to GEMM, an unconsolidated fund. While the restructuring caused a significant reduction in BTGI's total assets, its economic exposure to the corresponding trading strategies remains substantially similar. Further, it became substantially a vehicle through which investment are made for returns from capital appreciation and investment income and which measures and evaluate the performance of substantially all its portfolio on a fair value basis.

Under IFRS 10, the criteria which define an investment entity are currently as follows:

a. An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

b. An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

c. An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In accordance with IFRS10.30 and IFRS10.B101, the Company has therefore ceased to consolidate its subsidiaries at the date of the change in status, which it has evaluated as being September 30, 2015. The Company has no subsidiaries that provides services that relate to its investment activities that would continue to be consolidated under IFRS10.32.

(In thousands of reais, except otherwise stated)

The Company’s investments in controlled entities, as well as investments in associates and joint ventures, are now measured at fair value through profit or loss, as shown in Note 8. The Company has derecognized the assets and liabilities of its subsidiaries from its balance sheet and recognized a gain or loss associated with the move to fair value accounting of these subsidiaries.

As at September 30, 2015, the major impacts due to the change in investment entity status are: (i) transfer of foreign exchange differences on translation of subsidiaries and fair value from available for sale financial instruments from current year and previous periods that had been recognized in other comprehensive income to the income statement in the amount of R$818,337, (ii) recognition of positive fair value in the amount of R$178,310 in the income statement related to the net position of both raised and contracted loans, (iii) significant change in presentation of the balance sheet due to several reclassifications to the investment entity portfolio line; and, (iv) no longer presentation of non-controlling interest on the balance sheet; statements of changes in shareholders’ equity and cash flows.

Prospective application of the amended standard resulted in the following changes to the balance sheet as of September 30, 2015:

Assets	**Consolidated**	**Adoption of IFRS 10 - Investment Entities**	**Investment entity**
Cash at banks	1,435,629	(1,435,629)	-
Open market investments	228,327	(228,327)	-
Derivative financial instruments	73,692	(73,692)	-
Financial assets held for trading	5,136,588	(5,136,588)	-
Investment entity portfolio	-	912,487	912,487
Financial assets available for sale	3,861,825	(3,861,825)	-
Loans and receivables	2,985,879	(2,985,879)	-
Due from brokers	846,934	(846,934)	-
Investments in associates and joint ventures	1,352,132	(1,352,132)	-
Investment properties	824,283	(824,283)	-
Receivables from related parties	-	203,700	203,700
Other assets	752,563	(752,563)	-
Total assets	**17,497,852**	**(16,381,665)**	**1,116,187**
Liabilities			
Open market funding	1,934,228	(1,934,228)	-
Derivative financial instruments	212,911	(212,911)	-
Financial liabilities held for trading	110,460	(110,460)	-
Financial liabilities at amortized cost	8,511,838	(8,511,838)	-
Due to brokers	301,873	(301,873)	-
Payables to related parties	-	203,700	203,700
Other liabilities	2,879,592	(2,879,592)	-
Total liabilities	**13,950,902**	**(13,747,202)**	**203,700**
Shareholders' equity			
Capital stock and share premium	1,328,880	-	1,328,880
Other comprehensive income	310,899	288,396	599,295
Accumulated losses	(603,355)	(412,333)	(1,015,688)
Total shareholders' owners equity	**1,036,424**	**(123,937)**	**912,487**
Non-controlling interest	2,510,526	(2,510,526)	-
Total shareholders' equity and non-controlling interest	**3,546,950**	**(2,634,463)**	**912,487**
Total liabilities and shareholders' equity	**17,497,852**	**(16,381,665)**	**1,116,187**

Although the Company no longer consolidates any subsidiary, information relating to non-controlling interest has been provided in the statement of income and comprehensive income as it presents its results until September 30, 2015. Further, the Company has decided to present consolidated statement of income and comprehensive income for the periods and quarters ended September 30, 2015 because it understands the derecognition of subsidiaries should solely be recorded prospectively.

b. Application and significant judgments

The majority of the Company's investment entity portfolio is held through BTG Holdco, which measures its investment in BTGI, at fair value through profit or loss. Both entities are now fair valued. When it is impractical or there is reasonable effort to measure the fair value of the entity, IFRS 10 allows an investment entity to use the previous carrying amount of the subsidiary.

The estimates and underlying assumptions are reviewed on an ongoing basis, and at least annually. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out in Note 3 have been applied consistently to all periods presented in these financial statements at September 30, 2015, date of adoption of IFRS 10 Consolidated Financial Statements – Investment Entities (Amendment), as stated in Note 2(a).

Except for the effects of the change in investment entity status, the accounting policies have been consistently applied across all entities for the purposes of producing these financial statements.

c. Revised IFRS pronouncements

The accounting policies adopted on these financial statements are consistent with those of the previous year.

The following standards were issued but are not yet effective for year ended December 31, 2015:

• Annual improvements

The "Annual Improvements to IFRSs" for the 2012-14 annual improvement cycles were issued September 25, 2014 and their adoption is required from July 1, 2016.

The Company does not believe that the amendments will have a material impact on its financial statements except for additional disclosures that will be provided.

• IFRS 9 – Financial Instruments

The IFRS 9 is being issued in chapters. In November 2009 and October 2010, chapters containing new measurement and classification rules for financial assets and financial liabilities were issued. In addition, in November 2013 the chapter containing the hedge accounting rules was issued.

The finalized version of IFRS 9 was issued on July 24, 2014 and contains changes in the previous chapters related to measurement and classification as well as in hedge accounting. The finalized version also introduces new rules for impairment of financial instruments and derecognition.

The Company does not believe that the amendments will have a material impact on its financial statements except for additional disclosures that will be provided.

• IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" amends IFRS 10 and IAS 28, to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The change is applicable for years beginning January 1, 2016.

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. These estimates are based on historical experience and various other factors that Management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. Dollar, since the majority of the Company's business transactions are in the mentioned currency. The subsidiaries functional currency generally corresponds to the currency from its country.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. Dollars are converted into U.S. Dollar using exchange rates closing at the end of each period. The non-monetary assets and liabilities are translated using the historical rate date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in “translation adjustments” in the statement of comprehensive income.

Presentation currency

These financial statements are presented using the Brazilian Real (“Real” or “reais” or “R$”) , the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Brazilian Federal Securities Commission (“CVM”), the Brazilian regulatory body.

The conversion of U.S. Dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – (“The effects of changes in exchange rates”), and is summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average exchange rate.

- For assets and liabilities for each balance which IAS 21 does not establish a methodology for translation, the Company elected to translate balances using the closing rate of each balance sheet, and other movements in shareholders’ equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows. For the remaining transactions, the Company used the historical rate.

All resulting translation differences are recognized directly in “translation adjustments” in the statement of other comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

The interest on financial instruments held for trading are recorded in “Gain (losses) on financial instruments held for trading”.

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded as “Gain (losses) on financial instruments held for trading”, and dividends received on financial assets as available for sale are classified as “Gain (losses) on financial assets available for sale”.

e. Financial instruments

Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

Derivatives

Derivative financial instruments are recorded at fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement “Net gains (losses) with financial instruments held for trading”.

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at fair value in the portfolio with fair value changes recognized in the consolidated income statement.

Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in “Gains (losses) on financial instruments held for trading”.

Included in this classification are: debt instruments, equities and short sale which have been acquired specifically for the purpose of short term trading or repurchase.

Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modifies the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in "Net gain on financial assets or liabilities designated at fair value through profit and loss".

Financial assets available for sale

Financial assets available for sale include equities and debt instruments. Equities classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Gain (losses) on financial assets available for sale".

Losses on the impairment of these financial instruments are recognized in the income statement and reclassified, if and when applicable, from the statement of comprehensive income.

"Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Gain (losses) on financial instruments held for trading". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of the transaction or when variables may be observable or, also, when the financial instrument is derecognized.

Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognized when:

- The right to receive the cash flow of the asset expired; or

- The Company transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:

    - There is substantial transfer of all risks and benefits of the asset; or

    - There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company and its subsidiaries transfers the rights to receive an asset cash flow or has entered into an on-lending agreement, and has not substantially transferred or retained all asset risks and benefits, or has not also transferred the control on such asset, an asset is recognized to the extent of the Company and its subsidiaries have continued involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaries.

Financial liabilities

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognized from the balance sheet. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "Open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to the term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as "Held for trading" in the balance sheet.

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded in the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is recorded as interest income and is appropriated pursuant to term of the agreement, according to the effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts are recorded as a short sale, included in "Financial liabilities held for trading" in result and measured at the fair value with any gain or loss included in "Gain (losses) on financial instruments held for trading".

f. Valuation of Investment entity portfolio

Investment entity portfolio is held at fair value with movements in fair value going through the profit and loss account. The investments held by BTG Holdco (through BTGI) are defined as underlying investments. These underlying investments correspond substantially to an investment in GEMM and merchant banking investments which are generally made directly or through ownership in limited partnership funds. The merchant banking investments are comprised of equity ownerships, loans and convertible instruments which most of the risk and return are dependent on the fair value and characteristics of underlying equity. The Company may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act.

Investment entity portfolio are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same instrument;

Level 2: Price quotations observed in active markets for instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data;

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Company determines a reasonable level for the input. The valuation models are developed internally and are reviewed by the pricing team, which is independent from the revenue generating areas, they are updated whenever there is evidence of events that could have affected the assets' pricing. Investment entity portfolio primarily includes certain limited partnership interests in private equity funds mainly derived from our merchant banking activities and OTC derivatives which valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of an investment entity portfolio valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Derivatives	Standard models and non-bidding quoted prices	Probability of default and recovery rates

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

g. Financial instruments – Offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recognized and if there is the intention to offset, or to realize the asset and clear the liability simultaneously.

h. Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

In case of any impairment losses related to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income. However, if in a subsequent year occur an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and losses.

The main evidence of impairment for financial assets are the significant decline in the fair value of any security for a prolonged period, noncompliance with contract terms for delay of principal or interest, deterioration in ability to pay and operational performance, breach of covenants, significant change in the performance of the counterparty market, reduced liquidity of the asset due to financial difficulties the lender.

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Company individually evaluates if there is an objective evidence of impairment.

If there is an objective evidence that an impairment loss was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows.

The asset is reduced by a provision and a corresponding loss is recognized in the income statement. The interest income continues to be recognized from the book value net of allowance and is calculated based on the interest rate used to discount the future cash flow used to measure the loss on the impairment. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Company and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance.

The present value of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

i. Due from / to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

After initial measurement, due from/to brokers are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

j. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and Management has committed to sell such assets.

Assets are reclassified out of non-current assets held for sale due to changes to a plan of sale and when the sale is no longer considered highly probable. As a result of the reclassification, the asset will be adjusted to any depreciation or revaluation measured at the lower of its carrying amounts before the classification as held for sale, or its recoverable amount.

k. Investment in associates and joint ventures

Investments in associates and joint ventures comprise entities over which the Company has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and joint ventures include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Company interest in the profits or losses of its associates and joint ventures is recognized in the "Equity pick up in associates and joint ventures". Any movements in the equity reserves of these entities is recognized directly in the investment balance.

l. Impairment of nonfinancial assets

Investments in associates and joint ventures and assets that have an indefinite life, such as goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units - CGU).

m. Other assets / liabilities

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

n. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal are made pursuant to the criteria described below.

Contingent assets - not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and Management, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for nor disclosed.

(In thousands of reais, except otherwise stated)

o. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the Extraordinary / Ordinary General Meeting.

p. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of an investment entity and so no segment information is disclosed.

q. Investment Properties

Investment properties 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. During the fourth quarter of 2014, the Company valued its investment properties, using an independent valuation service, considering certain assumptions such as the average price of lands and the level of productivity.

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.

r. Subsidiaries

The table below presents the direct and indirect interest of the Company in its subsidiaries which have been consolidated in the financial statement up to the change in status to the investment entity:

		Equity interest - %	
	Country	12/31/2015	12/31/2014
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
BTG Investments LP	Bermuda	25.88	25.05

Below is the ownership interest held by BTGI in its subsidiaries and investment funds:

		Equity interest - %	
	Country	12/31/2015	12/31/2014
Subsidiaries			
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTG Pactual Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	UK	100.00	100.00
BTG Pactual Mining S.A.	Brazil	100.00	100.00
Hárpia Omega Participações S.A.	Brazil	100.00	100.00
BTG Pactual Capital Participações S.A.	Brazil	100.00	100.00

(In thousands of reais, except otherwise stated)

		Equity interest - %	
	Country	12/31/2015	12/31/2014
BTG Pactual Servicios S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Swiss Services S.A.	Switzerland	100.00	100.00
Aigues de Catalunya Ltd	UK	98.00	98.00
BTG Pactual Iberian Concessions Ltd.	UK	100.00	100.00
BTG Pactual PropertyCo LLC	USA	100.00	100.00
BTG Pactual PropertyCo II LLC	USA	100.00	100.00
BTG Pactual Prop Feeder (1) S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Investimentos Florestais S.A.	Brazil	100.00	93.96
BRPEC Agro Pecuária S.A.	Brazil	100.00	100.00
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
A.Z.A.S.P.E Empreendimentos e Participações S.A.	Brazil	100.00	100.00
A.Z.P.S.P.E Empreendimentos e Participações S.A.	Brazil	86.56	86.56
BTG Pactual SCFlor & São Lourenço Holding S.A. (i)	Brazil	26.67	71.66
São Lourenço Empreendimentos Florestais Ltda. (i)	Brazil	26.67	71.66
Fazenda Corisco Participações S.A. (i)	Brazil	26.67	71.66
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	25.07	37.75
SCFlor Empreendimentos Agrícolas Ltda. (i)	Brazil	25.07	37.75
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	25.07	37.75
BTGI Quartzo Participações S.A	Brazil	100.00	-
BTGI Safira Participações S.A	Brazil	100.00	-
Investment funds			
B2 - Fundo de Investimento Multimercado	Brazil	-	100.00
Beira Rio Fundo de Investimento em Participações	Brazil	100.00	100.00
Bravo Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Brazil Investment Fund I LP	Cayman	100.00	100.00
BTG Pactual Absolute Return Master Fund LP	Cayman	-	100.00
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00
Turquesa Fundo de Investimento em Participação	Brazil	100.00	100.00
FII - FII Estoque Residencial Vitacon	Brazil	100.00	-

(i) The investee equity is divided into ordinary and preferred shares. The Company has the majority of the ordinary shares and voting rights.

As described in Note 1, as from December 29, 2010, the Company became the general partner of BTGI with powers to control BTGI's financial and operating policies through the interest held in that Company.

During the year ended December 31, 2015 the Company received a capital contribution from Generali NV, as part of the BSI S.A. transaction, and subsequently contributed the same amount in BTGI. In addition, as mentioned in Note 1, due to shares repurchase occurred in the year ended December 31, 2015, the Company holds 25.88% of equity interest in BTGI (December 31, 2014 – 25.05%).

4. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees allows engaging the whole organization and ensuring decisions are readily 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 the our 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 our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits VaR, 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 our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books records are kept appropriately.

The Company 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 committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

a. Market risk

Value at 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 Company's positions at market risk. The Company uses a historical simulation with re-mensuration of financial instruments 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, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 Company uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains daily average VaR for the years ended:

	December 31, 2015	December 31, 2014	December 31, 2013
In millions of R$			
Daily average VaR	37.0	42.1	43.8

The Company used to and continue to measure and evaluate the performance of substantially all of its investments entity portfolio on a fair value basis and therefore there was no significant change in the risk management framework.

(In thousands of reais, except otherwise stated)

Further, it has not been possible to present detailed market risk information relating to Global Markets Investment, and Company's management rely on VaR provided by its manager, which is BTG Pactual.

b. Credit risk

The following table shows the maximum exposure of the investment entity portfolio by geographic region:

	12/31/2015				
	Brazil (i)	United States	Europe	Others	Total
Assets					
Investment entity portfolio	(373,598)	448,257	361,801	287,369	723,829
Total	**(373,598)**	**448,257**	**361,801**	**287,369**	**723,829**

	12/31/2014				
	Brazil	United States	Europe	Others	Total
Assets					
Cash at banks	1,211,104	452	87,539	-	1,299,095
Open market investments	208,011	3,594,500	4,338,615	654,653	8,795,779
Derivative financial instruments	415,832	747,935	337,483	80,474	1,581,724
Financial assets held for trading	3,192,933	14,135,822	12,448,984	3,270,073	33,047,812
Financial assets available for sale	957,638	442,419	-	74,067	1,474,124
Loans and receivables	250,054	1,053,928	198,213	691,677	2,193,872
Due from brokers	32,753	2,134,918	1,775,519	16,982	3,960,172
Investments in associates and joint ventures	1,012,131	-	368,120	523	1,380,774
Investment properties	770,862	-	-	-	770,862
Other assets	396,572	308,365	71,447	13,037	789,421
Total assets	**8,447,890**	**22,418,339**	**19,625,920**	**4,801,486**	**55,293,635**

(i) Including financial liabilities borrowed by BTGI (BTGP is not a counterparty of such contracts), net of other assets held by the entity.

The table below states the maximum exposures to credit risk of the investment entity portfolio, classified by the counterparties economic activities:

	12/31/2015			
	Private institutions	Individuals	Others	Total
Assets				
Investment entity portfolio	292,694	584,373	(153,238)	723,829
Total	**292,694**	**584,373**	**(153,238)**	**723,829**

The table below states the maximum exposures to credit risk based on the items of the balance sheet, classified by the counterparties economic activities:

	12/31/2014						
	Governments	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash at banks	-	1,299,095	-	-	-	-	1,299,095
Open market investments	-	8,795,779	-	-	-	-	8,795,779
Derivative financial instruments	-	1,581,724	-	-	-	-	1,581,724
Financial assets held for trading (i)	21,974,238	837,892	2,487,711	7,747,971	-	-	33,047,812
Financial assets available for sale	-	-	-	1,474,124	-	-	1,474,124
Loans and receivables	-	-	-	781,490	1,412,258	124	2,193,872
Due from brokers	-	3,960,172	-	-	-	-	3,960,172
Investments in associates and joint ventures	-	-	-	1,380,774	-	-	1,380,774
Investment properties	-	-	-	770,862	-	-	770,862
Other assets	-	-	-	-	-	789,421	789,421
Total assets	**21,974,238**	**16,474,662**	**2,487,711**	**12,155,221**	**1,412,258**	**789,545**	**55,293,635**

(i) See Note 7(b).

(In thousands of reais, except otherwise stated)

a. Liquidity analysis

According to its policy, the Company regularly monitors its liquidity position. As at December 31, 2015, there is no fixed maturity for the discounted cash flows for the investment entity portfolio of the Company. As at December 31, 2014, the expected discounted cash flow for the assets as is as follows:

	12/31/2015				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Investment entity portfolio	-	-	-	723,829	723,829
Total	**-**	**-**	**-**	**723,829**	**723,829**

	12/31/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash at banks	1,299,095	-	-	-	1,299,095
Open market investments	8,795,779	-	-	-	8,795,779
Derivative financial instruments	1,049,104	168,383	114,692	249,545	1,581,724
Financial assets held for trading	33,047,812	-	-	-	33,047,812
Financial assets available for sale	-	-	-	1,474,124	1,474,124
Loans and receivables	219,736	30,193	531,560	1,412,383	2,193,872
Due from brokers	3,960,172	-	-	-	3,960,172
Investments in associates and joint ventures	-	-	-	1,380,774	1,380,774
Investment properties	-	-	-	770,862	770,862
Other assets	10,097	5,559	-	773,765	789,421
Total assets	**48,381,795**	**204,135**	**646,252**	**6,061,453**	**55,293,635**

b. Liquidity risk

As at December 31, 2015, Due to brokers in the amount of R$540 represents the sole liability of the Company, with expected maturity up to 90 days, and its discounted cash flow is equal to its book value.

The table below summarizes the expected discounted cash flows for the liabilities of the Company, as of December 31, 2014:

	12/31/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Liabilities					
Open market funding	33,862,842	-	-	-	33,862,842
Derivative financial instruments	1,172,721	133,017	93,197	198,589	1,597,524
Financial liabilities held for trading	3,572,602	-	-	-	3,572,602
Financial liabilities at amortized cost	535,536	3,138,018	1,133,173	2,270,108	7,076,835
Due to brokers	2,039,768	-	-	-	2,039,768
Other liabilities	2,759	60,493	2,925,565	7,080	2,995,897
Total liabilities	**41,186,228**	**3,331,528**	**4,151,935**	**2,475,777**	**51,145,468**

The table below presents the undiscounted cash flows for “Loans and receivable” and “Financial liabilities at amortized cost” as at December 31, 2014. Undiscounted cash flows for derivative financial instruments and financial liabilities at fair value through profit and loss are not being presented. Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

(In thousands of reais, except otherwise stated)

	12/31/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Loans and receivables	124	-	554,067	2,814,664	3,368,855
Liabilities					
Financial liabilities at amortized cost	2,238,910	1,486,541	1,178,524	2,670,753	7,574,728

5. Cash at banks

Cash at banks comprise exclusively highly-liquid bank deposits.

6. Open market investments and funding

	12/31/2014
Open market investments	23,934,154
Offset (netting) (i)	(15,138,375)
Net	**8,795,779**
Open market funding	49,001,217
Offset (netting) (i)	(15,138,375)
Net	**33,862,842**

(i) The total amount that meets the criteria for netting was netted on December 31, 2014.

As of December 31, 2014 the collateral received in repurchase agreements amounts to R$22,939,311 whereas the collateral granted amounts to R$50,676,286. The collaterals for these operations that would be sold or could be granted for other repurchase agreements totaled R$705,347.

7. Classification and measurement of financial instruments

a. Derivative financial instruments

The Company does not have derivative financial instruments designated as hedge accounting. The balance of derivatives held at fair value were as follows:

	12/31/2014
Futures	
Long position	68,284
Short position	167,439
Swaps	
Long position	500,296
Short position	471,483
Credit derivatives	
Long position	199,562
Short position	154,847
Currency forward transactions - NDF	
Long position	28,503
Short position	11,327
Forward transactions - DF	
Long position	48,998
Short position	8,276
Options	
Long position	736,081
Short position	784,152
Long position	1,581,724

(In thousands of reais, except otherwise stated)

Short position	1,597,524

The nominal amounts of transactions with derivatives are as follows. The receivable leg and payable leg are presented separately for swaps, non-deliverable forwards (“NDF”) e deliverable forwards (“DF”) derivatives in the table below:

	12/31/2014
Futures market	
Long position	41,953,289
Currency	2,002,963
Equities	48
Index	454,700
Interest rate	39,318,883
Commodities	176,695
Short position	66,269,417
Currency	22,391
Interest rate	64,723,328
Commodities	276,227
Equities	4,111
Indexes	1,243,360
Swap	
Long position	77,642,956
Interest rate	68,056,665
Index	7,491,586
Equities	2,052,659
Other	42,046
Short position	77,642,956
Interest rate	68,016,347
Index	7,841,256
Equities	1,744,501
Other	40,852
Credit derivatives	
Long position	4,632,871
Sovereign	754,358
Coporate	3,878,513
Short position	6,814,814
Coporate	5,161,994
Sovereign	1,652,820
Currency forward transactions - NDF	
Long position	3,003,402
Currency	3,003,402
Short position	3,003,402
Currency	3,003,402
Forward transactions - DF	
Long position	3,142,462
Currency	3,142,462
Commodities	35,692
Short position	3,178,153
Currency	3,167,612
Commodities	10,541
Options market	
Purchase of call options	16,275,479
Index	13,326,551
Equities	640,287
Commodities	516,365
Interest rate	1,443,957
Currency	338,856
Others	9,463
Purchase of put options	98,540,157
Index	77,055,992
Equities	1,008,310
Commodities	259,019
Interest rate	20,054,786
Currency	128,005
Others	34,045
Sale of call options	17,139,585
Equities	269,317
Index	12,659,665
Currency	151,202
Commodities	415,861
Interest rate	3,629,026
Other	14,514
Sale of put options	120,086,927
Equities	245,338
Index	77,831,646
Commodities	412,975
Interest rate	15,693,401
Currency	71,424
Others	25,832,143

(In thousands of reais, except otherwise stated)

b. Financial assets held for trading

	12/31/2014	
	Amortized cost	Fair value
Own portfolio		
Equities	2,836,676	2,454,755
Corporate bonds issued by non-Brazilian entities	968,268	903,599
Certificate of bank deposits	1,200	1,277
US Agencies	160,352	163,496
Brazilian government bonds	1,972,806	1,972,704
Foreign government bonds		
United States	1,287,104	1,287,589
Others	129,280	105,900
Investment fund quotas	331,138	330,276
Related to repurchase agreement		
Corporate bonds issued by non-brazilian entities	5,164,569	4,895,956
US Agencies	2,300,468	2,324,215
Foreign government bonds		
United States	7,530,108	7,593,370
UK	5,899,877	5,866,728
Germany	25,682	27,290
Others	5,364,467	5,120,657
	33,971,995	33,047,812

c. Financial liabilities held for trading

Financial liabilities held for trading are comprised of short-selling transactions, primarily global fixed income and equities securities. As of December 31, 2014, the amortized cost and fair value were R$3,621,062 and R$3,572,602 respectively.

d. Financial assets available for sale

	12/31/2014
BTG Pactual Principal Investments FIP (FIP Principal)	804,643
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	115,248
Brasil Pharma S.A.	123,681
ADS - Advanced Disposal Service	247,811
CDR Pedreira Ltda.	180,011
Other investments	2,730
	1,474,124

e. Loans and receivables

	12/31/2014
Partners (i)	1,412,258
ATLL Concessionaria de La Generalitat de Catalunya S.A. (ii)	198,213
Promissory notes (iii)	249,930
BTG MB Investments LP. (iv)	333,347
Other	124
	2,193,872

(i) These loans are indexed to CDI or Libor and have maturities generally above one year.
(ii) Interest of 4.25% p.a. with maturity on August 3, 2016.
(iii) Interest of 100% CDI with an additional of 2.75% p.a., with maturity up to 180 days.
(iv) Interest of 2.4% p.a. with an additional of 6 month libor, with maturity on March 2, 2016.

(In thousands of reais, except otherwise stated)

f. Financial liabilities at amortized cost

	12/31/2014			
	Maturity	Index	US$	R$
Loans with financial institutions	February-15 to March-17	Libor and 2.0% to 2.64% p.a.	959,391	2,548,335
Senior notes	April-18	4.5% p.a.	703,682	1,869,120
Medium term notes	January-15 to June-19	0.25% to 3.65% p.a.	818,674	2,174,563
Others	June-24	100% CDI and 3% to 6% p.a.	182,523	484,817
			2,664,270	7,076,835

In addition to covenants related to indebtedness and cross-default provisions, some of the loans, senior notes and medium term notes are guarantee by BTG Pactual Holding S.A., the parent company of BTG Pactual.

8. Investment entity portfolio

As described in Note 2 (a), as a result of IFRS 10 adoption, BTGP ceased to consolidate its subsidiaries, and start to recognize the portfolio investment entities in proportion to its participation at fair value through profit or loss. Below are presented relevant information of the investment portfolio as at December 31, 2015, through the investment in BTGI (by BTG Holdco):

Assets	**Note**	**12/31/2015 (1)**
Cash and cash equivalents	(a)	735,657
Investment entity portfolio	(b)	10,347,773
Loans and receivables	(c)	2,320,296
Other assets		59,974
Total		**13,463,700**
Liabilities		
Derivative financial instruments		39,266
Financial liabilities at amortized cost	(d)	11,315,154
Other liabilities		1,559
Total		**11,355,979**
Shareholders' equity		**2,107,721**
Total liabilities and shareholders' equity		**13,463,700**

Investment entity portfolio reconciliation on December 31, 2015	
BTGI shareholder's equity	2,107,721
BTGP ownership (via BTG Holdco)	0.26
Subtotal	**545,519**
Fair value adjustment **(2)**	178,310
Total	**723,829**

(1) Balances as reported by BTGI as at December 31, 2015.
(2) BTGI measure certain assets and liabilities at amortized cost in its financial statements, therefore a fair value adjustment is necessary upon adoption of investment entity by BTGP.

As of December 31, 2015, the investment entity portfolio is represented by the interest in BTG Holdco, in the amount of R$723,829.

(In thousands of reais, except otherwise stated)

(a) Cash at banks

Cash and cash equivalents are comprised exclusively of highly-liquid bank deposits.

(b) Investment entity portfolio

	As at December 31, 2015	
	Cost	**Fair value**
Mechant Banking investments (i)	2,951,514	1,975,829
Private equity funds	2,017,849	990,040
Subsidiaries, associates and jointly controlled entities	963,854	1,015,978
Others	(30,189)	(30,189)
Global markets investments (ii)	7,602,257	7,602,257
Corporate bonds (iii)	1,924,820	1,380,902
Others	(611,215)	(611,215)
Total	**11,867,376**	**10,347,773**

(i) Merchant banking investments

Merchant banking investments consist of investments, held directly or through investment vehicles (including funds that also include third party investors), in a diversified group of portfolio companies primarily located in Brazil. Merchant banking investments are structured generally through privately negotiated transactions with a view to disinvest in four to ten years.

As of December 31, 2015 BTGI merchant banking investments corresponds to private equity and real estate investments, through funds or other investment vehicles, as disclosed below:

Merchant banking investments	**Description/Segment activity**	**(%) (ii)**	**12/31/2015**
Through Private equity funds:			
A!Bodytech Participações S.A.	Fitness segment	10.3%	51,862
Brasil Brokers Participações S.A.	Investment in real estate companies	4.3%	10,982
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	14.7%	51,008
B&A Mineração S.A.	Development and operation of mining assets	87.8%	261,569
Brasil Pharma S.A.	Pharmaceutical retail company	2.8%	1,042
União de Lojas Leader S.A.	Retail company	51.9%	67,854
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	29.2%	26,998
Estre Participações S.A.	Waste collection, treatment and disposal	11.3%	35,451
UOL Universo on Line S.A.	Internet and server provider	2.2%	96,423
Latin America Power Holding B.V.	Energy sector	10.6%	226,913
Sete Brasil Participações S.A.	Oil and gas	0.5%	3,938
CDR Pedreira Ltda.	Disposal services	56.3%	156,000
Through subsidiaries, associates and jointly controlled entities:			
ADS - Advanced Disposal Service	Disposal services	10.2%	368,406
Timber IX Participações S.A.	Biogical assets	26.7%	42,572
BTG Pactual Santa Terezinha Holding S.A	Biogical assets	25.1%	45,126
BTG Pactual SCFLOR & São Lourenço Holding S.A	Biogical assets	26.7%	43,330
Brasil Pharma S.A.	Pharmaceutical retail company	14.3%	5,098
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Concession company	5.0%	4,320
Loans **(i)**	Others	-	507,126
Others		-	(30,189)
Total			**1,975,829**

(i) Mainly comprised by União de Lojas Leader and BR Pharma, which as of September 30, 2015, were allocated to "others".
(ii) The equity interest disclosed in the table above refers to the Company indirect interest.

(In thousands of reais, except otherwise stated)

(ii) Global market investments

A hedge fund is an investment fund that typically undertakes a wider range of investment and asset trading than other funds, but which is only open for investment from particular types of investors specified by regulators. These funds have hybrid portfolios composed of a mix of fixed income, equities, currencies, foreign exchange, derivatives, bonds, commodities, mortgages and interest rates. These funds usually employ a wide variety of investment strategies, and make use of techniques such as short selling and leverage.

As of December 31, 2015, BTGI had invested in the following global hedge funds:

	12/31/2015
Global markets investments	
BTG Pactual Absolute Return II Master Fund LP ("ARF II")	369,115
BTG Pactual Global Emerging Markets and Macro Fund Limited	2,452,290
Loans (Included in ARF II)	4,780,852
Total	**7,602,257**

As at December 31, 2015, the Net Asset Value ("NAV") of the Global markets investments presented in the table above approximates to its fair value, which is equivalent to its cost value on the referred date.

(iii) Investment in corporate bonds

Investment in corporate bonds comprises highly liquid exchanged traded corporate bonds issued by Banco BTG Pactual S.A Luxemburg Branch, with maturity to December 29, 2049.

As at December 31, 2015, the amortized cost of corporate bonds corresponds to R$1,924,820.

(c) Loans and receivables

	12/31/2015
Partners (i)	2,114,683
BTG MB Investments LP. (ii)	60,449
Others	145,164
Total	**2,320,296**

(i) Loans indexed to CDI or libor, and the maturity are in general higher than 1 year.
(ii) Indexed to CDI plus 4% p.a. or Libor, with maturity on January 21, 2021.

(d) Financial liabilities at amortized cost

	Maturity	Index	12/31/2015
Loans with financial institutions (i)	February-16 to December-16	Libor and 1.15% to 2.64% p.a.	7,779,185
Medium term notes	January-16 to June-19	0.8% to 100% CDI	3,535,969
Total			**11,315,154**

(i) On December 31, 2015 one of the loans obtained by the Company was secured by shares registered as ''investment portfolio''.

(In thousands of reais, except otherwise stated)

As at December 31, 2015, the fair market value adjustment attributable to Financial liabilities at amortized cost corresponds to a gain of R$178,310, R$17,250 related to loans with financial institutions and R$161,060 related to the medium term notes.

Certain issuance of the loans and medium term notes are guaranteed by BTG Pactual Holding S.A., parent company of BTG Pactual.

Fair value Hierarchy

The summary of assets and liabilities classified in accordance with the fair value hierarchy is as follows:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment entity portfolio				
Mechant Banking investments	17,122	507,126	1,451,581	1,975,829
Private equity funds	12,024	-	978,016	990,040
Subsidiaries, associates and jointly controlled entities	5,098	507,126	503,754	1,015,978
Others	-	-	(30,189)	(30,189)
Global markets investments	-	7,602,257	-	7,602,257
Corporate bonds	-	1,380,902	-	1,380,902
Others	-	(611,215)	-	(611,215)
Total	**34,244**	**9,386,196**	**2,903,162**	**12,323,602**

Changes in level 3 for the year ended are as follows:

	Mechant Banking investments
Balances at December 31, 2014	**2,457,821**
Acquisitions	204,563
Sales	(297,719)
Losses on fair value of investment entity portfolio	(913,084)
Balances at December 31, 2015	**1,451,581**

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement level 3 financial instruments:

Merchant Banking Investment	**Fair value - 12/31/15**	**Valuation technique**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Private Equity Funds	978,016	Discounted cash flows	• Future Cash Flows • Discount rate	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in discount rates decrease (increase) fair value
		Market Multiples	• Future Cash Flows • Comparison to peers	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
		Transaction Multiples	• Future Cash Flows • Comparison to peers	• Increases (decreases) in future cash flows increase (decrease) fair value • Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
		Net Asset Valuation	• Asset values	• Increases (decreases) in liquidation value for individual assets increase (decrease) fair value

Merchant Banking Investment	Fair value - 12/31/15	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		Adjusted Quoted Price	• Liquidity discount	• Increases (decreases) in discount for lack of liquidity for individual assets increase (decrease) fair value
Subsidiaries, associates and jointly controlled entities	503,754	Discounted cash flows	• Future Cash Flows	• Increases (decreases) in future cash flows increase (decrease) fair value
			• Discount rate	• Increases (decreases) in discount rates decrease (increase) fair value
		Market Multiples	• Future Cash Flows	• Increases (decreases) in future cash flows increase (decrease) fair value
			• Comparison to peers	• Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value

9. Amounts due from/ to brokers

Assets and liabilities included in this item are shown in the table below:

	12/31/2015	12/31/2014
Due from brokers		
Custodian bank		
Banco BTG Pactual S.A.	-	32,753
Main brokers		
UBS AG	-	1,775,519
Citigroup	-	2,084,262
Bank of America	-	2,838
BTG Pactual Chile	-	3,114
Morgan Stanley	-	112,703
Others	-	97,923
	-	4,109,112
Netting (i)	-	(148,940)
	-	3,960,172

	12/31/2015	12/31/2014
Due to brokers		
Custodian bank		
Banco BTG Pactual S.A.	540	12,631
Main brokers		
UBS AG	-	1,964,791
Citigroup	-	167,242
Morgan Stanley	-	6,758
Others	-	37,286
	540	2,188,708
Netting (i)	-	(148,940)
	540	2,039,768

(i) The total amount that meets the criteria for netting was netted on December 31, 2014.

(In thousands of reais, except otherwise stated)

10. Investment in associates and joint ventures

		12/31/2014						
		Assets		Liabilities				
	Relationship	Current	Non-current	Current	Non-current	Shareholders' equity	Net income - Year ended December 31, 2014	Interest - %
B&A Mineração S.A.	Joint venture	25,051	446,836	19,896	82,721	369,270	(112,451)	87.83%
União de Lojas Leader S.A .	Associate	329,622	1,950,454	989,668	388,569	901,839	(144,239)	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint venture	427,068	3,241,317	285,018	2,915,353	468,014	15,545	39.00%
SPE Holding Beira-Rio S.A.	Joint venture	37,120	382,253	53,104	346,413	19,856	(17,270)	50.00%
BR Properties S.A.	Associate	565,062	8,308,704	286,274	2,582,376	6,005,116	264,408	2.88%
SIFR Holdings Ltd.	Joint venture	-	397,793	28,477	-	369,315	(29,115)	50.00%

	12/31/2014	Aquisition/Increase	Dividends	Foreign Exchange	Equity pick up	Other comprehensive income	Sales/Transfer	12/31/2015
B&A Mineração S.A.	321,327	41,644	-	153,851	(20,947)	-	(495,877)	-
ATLL Concessionaria de La Generalitat de Catalunya S.A.	183,462	-	(24,125)	64,292	8,230	-	(231,859)	-
União de Lojas Leader S.A .	578,228	-	-	-	(113,684)	-	(464,544)	-
SPE Holding Beira-Rio S.A.	11,405	21,196	-	-	(9,226)	-	(23,375)	-
BR Properties S.A. (ii)	101,171	-	(1,995)	-	8,521	-	(107,697)	-
Timber IX Participações S.A.	-	36,928	-	-	(23)	-	(36,905)	-
SIFR Holdings Ltd.	184,658	(209,686)	-	15,385	9,643	-	-	-
Others	523	1,615	-	(338)	(164)	-	(1,634)	-
	1,380,774	(108,303)	(26,120)	233,190	(117,650)	-	(1,361,891)	-

(In thousands of reais, except otherwise stated)

	12/31/2013	Aquisition/Increase/ Transfer	Sales	Dividends	Foreign Exchange	Equity pick up	Other Comprehensive income	12/31/2014
B&A Mineração S.A. (i)	322,291	12,067	-	-	114,902	(176,078)	48,146	321,327
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	219,216	(183,720)	-	(20,727)	(7,141)	(7,629)	-	-
ATLL Concessionaria de La Generalitat de Catalunya S.A.	193,350	-	-	(16,461)	1,538	5,035	-	183,462
União de Lojas Leader S.A .	643,439	-	-	-	-	(65,211)	-	578,228
SPE Holding Beira-Rio S.A.	20,358	116	-	-	-	(9,069)	-	11,404
BR Properties S.A. (ii)	1,060,214	167,361	(1,065,956)	(54,082)	-	(6,366)	-	101,171
SIFR Holdings Ltd.	-	166,440	-	-	32,475	(14,257)	-	184,658
Others	8,299	(6,034)	-	-	(1,021)	(721)	-	523
	2,467,167	156,230	(1,065,956)	(91,270)	140,753	(274,296)	48,146	1,380,774

(i) The total equity pick up recognized in 2014 was R$176 million, which R$58 million refers to the realized share of other comprehensive income from non-controlled entities.
(ii) As of December 31, 2014 the Company's interest equals to 76,297,469 shares at a market price on that date of R$10.25.
(iii) Due to IFRS 10 application of Investment entity, as stated in Note 2(a).

(In thousands of reais, except otherwise stated)

11. Investment property

As of December 31, 2014, the changes in the Company's investment property are as follow:

	12/31/2014
Beginning balance	-
(+) Acquisitions/investments	381,580
(+/-) Fair market value adjustment	389,282
Final balance	**770,862**

12. Shareholders' equity

a. Capital

BTGP's Board of Directors held on September 15, 2015, approved the issuance of 33,634,410 Class A Common Shares and 67,268,820 Class B Common Shares, at an issuance price of USD0.5081 per Share, totalizing R$203,700.

BTGP's Shareholders Meeting held on November 20, 2014 approved the conversion of 6,278,466 class D shares into 6,278,466 class A and 12,556,932 class B shares. Due to the conversions, the interest of the Company in BTGI is 25.05% on December 31, 2014.

BTGP's Shareholders Meeting held on June 6, 2014 approved the conversion of 1,033,707 class D shares into 1,033,707 class A and 2,067,414 class B shares.

As of December 31, 2015 and 2014, the Company's capital was comprised by the following class of shares:

	12/31/2015				
	Authorized	Issued	Par value (R$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	246,724,939	-	Yes	1
Class B (i)	10,000,000,000	493,449,878	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	21,198,861	0,0000000001	Yes	1
Total	**16,000,000,001**	**761,373,679**			

	12/31/2014				
	Authorized	Issued	Par value (R$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	226,714,759	-	Yes	1
Class B (i)	10,000,000,000	453,429,518	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	27,475,443	0,0000000001	Yes	1
Total	**16,000,000,001**	**707,619,721**			

(*) Class C shareholders have voting rights equivalent to ten times the total number of issued and subscribed A and D Class shares at any moment.
(i) Only class A and class B shareholders are entitled to economic benefits.

(In thousands of reais, except otherwise stated)

b. Treasury shares

During the year ended December 31, 2015 the company approved repurchase and cancelling of shares, as per Note 1.

c. Dividends

The Company did not distribute dividends for the years ended December 31, 2015 and 2014.

13. Earnings per share

	12/31/2015	12/312014
Loss attributed to controlling shareholders	(584,542)	(99,120)
Weighted average per thousand shares outstanding during the year (i)	707,287	661,583
Loss per share - Basic (in Reais)	(0.83)	(0.15)
Loss gain per share - Diluted (in Reais)	(0.83)	(0.15)

(i) Class A and class B shares.

14. Interest income / (expenses)

Interest income / (expenses) recognized in the consolidated statement of income consists primarily of: (i) interest accumulated in the year from loans and financing and loans and receivables, (ii), open market transactions and (iii) foreign exchange results. The breakdown of this item for the year ended December 31, 2015 and 2014 is as follows:

a. Interest income

	12/31/2015	12/31/2014
Loans and receivables	166,651	115,195
Interest on open market investments	14,221	14,378
	180,872	**129,573**

b. Interest expenses

	12/31/2015	12/31/2014
Interest on funding	(200,583)	(418,034)
Foreign exchange	(693,949)	(188,444)
Interest on loans and financing	(62,778)	(71,435)
	(957,310)	**(677,913)**

(In thousands of reais, except otherwise stated)

15. Gains / (losses) on financial instruments held for trading

	12/31/2015	12/31/2014
Derivatives financial instruments	130,723	(652,419)
Financial assets and liabilities held for trading	43,474	889,995
	174,197	**237,576**

16. Gains / (losses) on financial assets available for sale

Up to September 30, 2015, the Company recognized losses totaling R$188,450 associated with its investments in FIP Principal fund, which had previously been recognized in Other comprehensive income.

In 2014, the Company recognized losses totaling R$28,958 associated with its investments in FIP Principal fund, which had previously been recognized in Other comprehensive income. The recognition of losses was driven by the significant decrease in the stock market price of one of FIP Principal fund's portfolio companies.

17. Administrative expenses

	12/31/2015	12/31/2014
Professional fees (i)	(138,038)	(249,522)
Expenses related to financial market	(18,886)	(21,010)
Other administrative expenses	(312)	(1,440)
	(157,236)	**(271,972)**

(i) Mainly related to management and performance fees of ARF II.

18. Loss with portfolio investment, measured at fair value

	12/31/2015
Loss with financial assets measured at fair value	(231,541)
Fair value adjustment on loans	178,310
Total	**(53,231)**

Notes to the financial statements
Years ended on December 31
(In thousands of reais, except otherwise stated)

19. Related Parties

The balances of related-party transactions, which are carried out at arm's length, are reflected in the following items:

			Assets (Liabilities)		Revenues (Expenses)	
	Relationship	**Maturity**	**12/31/2015**	**12/31/2014**	**12/31/2015 (1)**	**12/31/2014**
Assets						
Cash on banks						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	-	1,126,182	-	-
Open market investments						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	-	207,998	20,726	660
Financial assets held for trading						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	-	1,908	33,364	6,154
Loans and receivables						
- Sócios (i)	Related	11/27/2033	-	1,412,258	55,694	11,980
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Related	3/2/2016	-	198,212	4,623	4,063
- BTG MB Investments L.P.	Related	8/22/2015	-	333,347	-	1,060
- DSB Serviços de Óleo e Gás II S.A.	Related	8/3/2016	-	219,737	-	9,459
Due from brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	-	32,753	-	-
- BTG Pactual Chile S.A. (ii)		No maturity	-	3,114	-	-
Other assets						
- BTG MB Investments L.P.	Related	5/21/2015	-	254,773	-	208,890
Receivables from related parties						
Liabilities						
Open market funding						
- Banco BTG Pactual S.A. (ii)	Related	5/6/2015	-	(1,323,968)	(238,004)	(170,189)
Derivative financial instruments						
- Banco BTG Pactual S.A. (ii)	Related	6/30/2015	-	(188,425)	(119,148)	(9,889)
Financial liabilities at amortized cost						
- Banco BTG Pactual S.A. (ii)	Related	4/17/2018	-	(10,636)	-	6,154
Due to brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	540	(12,631)	-	-
Other liabilities						
- BTG Pactual Global Asset Management Limited (ii)	Related	No maturity	-	(12,665)	(59,232)	(269,817)
- Banco BTG Pactual S.A. (ii)	Related	No maturity	-	(76,975)	(3,499)	(3,081)

(i) Considered as related parties only partners acting as Executive Directors.
(ii) BTG Pactual S.A and subsidiaries, ultimately controlled by BTG Pactual Holding S.A.

20. Other information

a. Cash and cash equivalents

Balances at beginning of the year	**12/31/2014**	**12/31/2013**
Cash at banks	1,299,095	811,392
Open market investments	8,795,779	7,184,406
	10,094,874	**7,995,798**

Balances at end of the year	**12/31/2014**	**12/31/2013**
Cash at banks	-	1,299,095
Open market investments	-	8,795,779
	-	**10,094,874**

(In thousands of reais, except otherwise stated)

b. Off balance commitments

Off balance sheet commitmments	**12/31/2015**	**12/31/2014**
Commitments to be released	-	1,349,875
Total	**-**	**1,349,875**

The item "Commitments to be released" denotes amounts related to the financial commitments of the Company with its investees and controlled entities. As at September 30, 2015, as a consequence of the adoption of investment entity guidance, the Company ceased to consolidate its subsidiaries and to present its off balance commitments.

Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

December 31, 2015
with independent auditors' report on the consolidated financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2015

Contents

Building a better working world

Centro Empresarial PB 370
Praia de Botafogo, 370
5º ao 8º Andares - Botafogo
22250-040 - Rio de Janeiro - RJ - Brasil

Tel.: (5521) 3263-7000
ey.com.br

A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statements prepared in accordance with International Financial Reporting Standards – IFRS, issued by International Accounting Standards Board – IASB

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors and Shareholders of
Banco BTG Pactual S.A. and its subsidiaries
Rio de Janeiro - RJ

We have audited the accompanying 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, comprehensive 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 International Financial Reporting Standards – IFRS, issued by International Accounting Standards Board – IASB 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 consolidated 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 as at December 31, 2015, the consolidated performance of its operations and its respective consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards – IFRS, issued by International Accounting Standards Board – IASB.

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 consolidated 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.

Building a better working world

Other matters

Consolidated statement of value added

We also have audited the Bank's consolidated statement of value added (SVA), for the year ended December 31, 2015, prepared under the responsibility of Bank's management, the presentation of which is required by Brazilian Corporate Law for publicly-held companies, and as supplementary information under the International Financial Reporting Standards – IFRS, issued by International Accounting Standards Board – IASB. This statement have been subject to the same audit procedures previously described, and in our opinion, is fairly presented, in all material respects, in relation to the overall financial statements.

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, March 29, 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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets
As at December 31
(In thousands of reais)

	Note	2015	2014
Assets			
Cash and balances at Central Bank	6	5,054,877	2,730,920
Financial assets at fair value through profit or loss			
Financial assets held for trading	7	11,633,782	14,430,375
Financial assets designated at fair value through profit and loss	7	9,542,553	23,513,940
Derivative financial instruments	7	41,293,258	35,307,143
Loans and receivables			
Open market investments	10	8,010,509	9,034,456
Amounts receivable from banks	11	3,860,804	4,623,245
Other loans and receivables	12	16,947,576	31,949,920
Available-for-sale financial assets	8	353,721	939,547
Held-to-maturity financial assets	13	5,128,734	4,634,556
Non-current assets held for sale	17	378,352	946,514
Deferred tax assets	21	6,269,711	1,930,452
Discontinued operations - assets	17	90,082,776	-
Other assets	15	36,714,629	19,974,593
Investment in associates and jointly controlled entities	16	6,203,639	6,413,020
Property, plant and equipment		244,119	131,987
Intangible assets	18	1,279,023	1,151,425
Total assets		**242,998,063**	**157,712,093**
Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	7	6,018,716	13,137,225
Derivative financial instruments	7	39,294,734	33,332,167
Financial liabilities carried at amortized cost			
Open market funding	10	14,262,022	26,144,864
Amounts payable to banks	11	1,475,367	769,819
Other financial liabilities carried at amortized cost	14	56,379,346	57,502,942
Tax liabilities	19	3,487,906	2,490,571
Discontinued operations - liabilities	17	84,360,947	-
Other liabilities	20	17,473,248	8,839,386
Total liabilities		**222,752,286**	**142,216,974**
Shareholders' equity	23		
Capital stock		7,235,738	6,462,076
Treasury stock		(132,394)	-
Income reserves		6,200,578	6,851,766
Foreign currency translation reserve		6,712,485	1,588,520
Total shareholders' equity of controlling shareholders		20,016,407	14,902,362
Non-controlling interest		229,370	592,757
Total shareholders' equity		**20,245,777**	**15,495,119**
Total liabilities		**242,998,063**	**157,712,093**

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)

	Note	2015	2014
Interest income	25	7,801,390	6,721,169
Interest expense	25	(14,685,421)	(9,417,973)
Net interest income/(expenses)		(6,884,031)	(2,696,804)
Net gains on financial instruments	25	3,983,639	3,987,479
Net exchange variations		(115,684)	917,892
Fees and commissions	26	2,868,444	2,938,179
Share of profit in associates and jointly controlled entities	16	(522,971)	362,558
Other operating income	27	2,511,160	219,282
Net revenues		1,840,557	5,728,586
Administrative expenses	28	(1,686,448)	(1,327,122)
Personnel expenses	29	(2,733,703)	(1,848,401)
Provisions for credit losses	12	(585,747)	(467,853)
Tax charges (other than income tax)		(200,448)	(299,196)
Income before taxes and profit sharing		(3,365,789)	1,786,014
Income tax and social contribution	22	3,280,693	115,134
Income from discontinued operations	17	661,114	-
Net income for the year		576,018	1,901,148
Net income attributable to controlling shareholders		736,814	2,117,086
Loss attributable to non-controlling interests		(160,796)	(215,938)
Earnings per share –basic and diluted – In Reais	24		
Common shares		0.27	0.78
Preferred shares		0.27	0.78

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of comprehensive income
Years ended December 31
(In thousands of reais, except for earnings per share)

	Note	2015	2014
Net income for the year		576,018	1,901,148
Other comprehensive income/(loss) to be reclassified to profit or loss:			
Changes in fair value of assets available for sale - jointly controlled	23	(4,170)	(4,247)
Changes in fair value of assets available for sale		18,501	(12,854)
Exchange differences on translation of foreign operations and non-monetary items	23	5,109,634	1,066,423
Total comprehensive income for the year		5,699,983	2,950,470
Attributable to controlling shareholders		5,860,779	3,166,408
Attributable to non-controlling interests		(160,796)	(215,938)

The accompanying notes are an integral part of the consolidated financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Statement of changes in shareholders' equity

Years ended December 31

(In thousands of reais, except for dividends per share)

	Note	Capital	Additional paid-in capital	Income reserves: Legal	Income reserves: Unrealized	Income reserves: Statutory	Income reserves: Total	Other comprehensive income	Treasury shares	Retained earnings	Controlling interests	Non-controlling interests	Total
Balances at December 31, 2013		**6,355,334**	**106,742**	**458,188**	**1,078,592**	**3,944,539**	**5,481,319**	**539,198**	**-**	-	**12,482,593**	**334,083**	**12,816,676**
Changes in fair value of assets available for sale - jointly controlled	22	-	-	-	-	-	-	(4,247)	-	-	(4,247)	-	(4,247)
Changes in fair value of assets available for sale		-	-	-	-	-	-	(12,854)	-	-	(12,854)	-	(12,854)
Exchange differences on translation of foreign operations and non-monetary items	22	-	-	-	-	-	-	1,066,423	-	-	1,066,423	-	1,066,423
Intermediate interest on equity (R$0.11 per share)		-	-	-	-	-	-	-	-	(301,800)	(301,800)	-	(301,800)
Intermediate dividends (R$0.05 per share)		-	-	-	-	-	-	-	-	(146,639)	(146,639)	-	(146,639)
Net income for the year		-	-	-	-	-	-	-	-	2,117,086	2,117,086	(215,938)	1,901,148
Legal reserve		-	-	105,854	715,790	548,803	1,370,447	-	-	(1,370,447)	-	-	-
Interest on equity (R$ 0.09 per share)	22	-	-	-	-	-	-	-	-	(298,200)	(298,200)	-	(298,200)
Addition of non-controlliing		-	-	-	-	-	-	-	-	-	-	474,612	474,612
Balances at December 31, 2014		**6,355,334**	**106,742**	**564,042**	**1,794,382**	**4,493,342**	**6,851,766**	**1,588,520**	**-**	**-**	**14,902,362**	**592,757**	**15,495,119**
Balances at December 31, 2014		**6,355,334**	**106,742**	**564,042**	**1,794,382**	**4,493,342**	**6,851,766**	**1,588,520**	**-**	**-**	**14,902,362**	**592,757**	**15,495,119**
Capital increase		773,662	-	-	-	-	-	-	-	-	773,662	-	773,662
Own shares acquired		-	-	-	-	-	-	-	(452,188)	-	(452,188)	-	(452,188)
Own shares sold		-	-	-	-	(319,794)	(319,794)	-	319,794	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	23	-	-	-	-	-	-	(4,170)	-	-	(4,170)	-	(4,170)
Changes in fair value of assets available for sale		-	-	-	-	-	-	18,501	-	-	18,501	-	18,501
Exchange differences on translation of foreign operations and non-monetary items	23	-	-	-	-	-	-	5,109,634	-	-	5,109,634	-	5,109,634
Intermediate interest on equity (R$0.16 per share)		-	-	-	-	-	-	-	-	(422,000)	(422,000)	-	(422,000)
Dividends (R$ 0.04 per share)		-	-	-	-	(106,130)	(106,130)	-	-	-	(106,130)	-	(106,130)
Intermediate dividends (R$0.02 per share)		-	-	-	-	(47,324)	(47,324)	-	-	-	(47,324)	-	(47,324)
Net income for the year		-	-	-	-	-	-	-	-	736,814	736,814	(160,796)	576,018
Legal reserve		-	-	343,728	3,498,426	(4,020,094)	(177,940)	-	-	177,940	-	-	-
Interest on equity (R$0.18 per share)	23	-	-	-	-	-	-	-	-	(492,754)	(492,754)	(202,591)	(695,345)
Addition of non-controlliing		-	-	-	-	-	-	-	-	-	-	-	-
Balances at December 31, 2015		**7,128,996**	**106,742**	**907,770**	**5,292,808**	**-**	**6,200,578**	**6,712,485**	**(132,394)**	**-**	**20,016,407**	**229,370**	**20,245,777**

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated financial statements
December 31, 2015
(In thousands of reais)

	Note	2015	2014
Operating activities			
Net income for the year		576,018	1,901,148
Adjusts to net income		(1,484,461)	1,800,627
Equity in the (earnings)/losses of associates	16	522,971	(362,558)
Interest expense from subordinated debt		2,876,070	1,636,901
Non-controlling interest		160,796	215,938
Deferred tax		(4,986,493)	226,078
Permanent assets exchange variation		(194,803)	-
Intangible amortization		94,166	35,349
Depreciation and amortization	28	42,832	48,919
Adjusted net income for the year		(908,443)	3,701,775
Increase/decrease in operational assets and liabilities			
Balances at central bank		-	(907,863)
Financial assets held for trading		1,773,941	15,344,281
Financial assets designated at fair value through profit and loss		13,971,387	(10,294,190)
Derivative financial instruments - assets		(5,986,115)	(14,771,800)
Assets held for sale		585,826	(515,726)
Open market investments		(10,252,992)	7,367,150
Amounts receivable from / (payable to) banks		1,993,560	1,104,852
Other loans and receivables		14,151,298	(14,267,964)
Held-to-maturity financial assets		(494,178)	(280,871)
Non-current assets held for sale		568,162	(290,974)
Other assets		(23,550,004)	(4,710,340)
Financial liabilities held for trading		(7,118,509)	(2,904,235)
Derivative financial instruments - liabities		5,962,567	12,584,582
Open market funding		(11,882,842)	6,244,776
Tax liabilities		997,335	1,230,706
Other liabilities		11,866,219	3,265,677
Cash (used) in / provided by in operating activities		(8,322,788)	1,899,836
Investing activities			
Sale of investments	16	1,408,163	198,474
Aquisition of equity interest	16	-	(1,262,115)
Dividends received	16	299,458	89,438
Acquisition of property and equipment in use		(151,634)	(86,804)
Sale of property and equipment in use		15,744	40,439
Acquisition of intangible assets	18	(48,850)	(93,858)
Sale on intangible assets	18	-	149
Discontinued operations from assets and liabilities		(4,519,059)	-
Business combination, net of cash		7,806,287	(471,222)
Cash provided by / (used in) investing activities		4,810,109	(1,585,499)
Financing activities			
Other liabilities		(3,999,666)	11,705,726
Acquisition / sale of treasury shares		(452,188)	-
Capital increase		773,663	-
Non-controlling interest		(363,387)	474,612
Dividends distributed	23	(153,154)	(278,830)
Interest on equity distributed	23	(720,000)	(548,700)
Cash (used in) / provided by financing activities		(4,914,732)	11,352,808
(Decrease) / Increase in cash and cash equivalents		(8,427,411)	11,667,145
Balance of cash and cash equivalents	31		
At the beginning of the period		22,422,310	10,755,165
At the end of the period		13,994,899	22,422,310
(Decrease) / Increase in cash and cash equivalents		(8,427,411)	11,667,145
Noncash transactions		492,754	298,200
Interest on equity declared		492,754	298,200

The accompanying notes are an integral part of the consolidated financial statements.

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 BTG Pactual Participations Ltd. ("BTGP") (together 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.

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 concluded 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's 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.

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 32.

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's liquidity, comprising (i) estrict 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 payement of variable compensation to managers and the fixed remuneration increase, (iv) suspension of any loans to the partnership members.

The Bank's board of directors understands that those measures are sufficient to fulfill the Group's 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 it was on 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 the Bank's Management on March 29, 2016, and they contain a true and fair view of the development and results of the Bank.

2. Corporate reorganization

Corporate events

As of September 2015, Eneva S.A. bankruptcy process was completed. 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 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 preferrance 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 trading entities with contracts evaluated in the amount of 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 due the Bank, in case of Rede D'Or not reaches certain precedent conditions. On December 31, 2015, the Bank estimated that the value of potential terms is not significative.

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, equivalent to 81.94% of Recovery's share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL I ("FIDC NPL I"), equivalent to 69.34% of the fund's total investment, and; (iii) transfer of non convertible debentures issued by Renova Companhia Securitizadora de Créditos Financeiros S.A. ("Renova"). On the same date, the referred assets were transferred to discontinued operations, measured at fair value, as per the presented in Note 17. 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. On April 2015, the transfer of 50% 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 at the acquisition date of BSI:

	Acquisiton 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

Subsequently to the acquisition described above the Bank's management decided to classify BSI as a discontinued operation, as provided in IFRS 5. As a consequence of such classification, the Bank do not completed the purchase price allocation of BSI assets and liabilities, and presented such investment in a separate line of business at fair value as presented in Note 17.

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 milion in December 2014, and will pay four annual installments of R$87 million, index to CDI, up to 2018, to the FGC. This transaction generated a negative goodwill in the amount of R$ 26,551. Also in December 19, 2014, the Institution and its subsidiaries extrajudicial liquidation process was 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

a. Basis for preparation

The Bank's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. Judgments and significant accounting estimates

In the process of preparing the Bank's consolidated financial statements, management exercised judgment and used estimates to calculate certain amounts recognized in the financial statements. The more material application of the exercise of judgment and use of estimates occurs in:

Going concern

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.

Fair value of the financial instruments

When the fair value of financial assets and liabilities accounted in the balance sheet may not be derived from an active market, it is determined by using several valuation methodologies that include the use of mathematic models. The inputs of these models are derived from observable data of the market whenever possible, but, when market data are not available, judgment is required to establish the fair value. The judgments include liquidity considerations and variable models such as volatility of long-term derivatives and discount rates, prepayment fees and assumptions on default of bonds containing assets as guarantee.

Impairment losses regarding loans and receivables

The Bank and its subsidiaries' review individually significant loans and receivables on each balance sheet date to evaluate if impairment losses must be recorded in the income statement. Management's judgment is required to estimate the value and timing of cash flows in order to determine impairment losses. To estimate these cash flows, the Bank and its subsidiaries make judgments with respect to client's financial condition and the realizable value net of any guarantee. These estimates are based on assumptions involving several factors and, for this reason, the actual results may vary, creating future changes in the provision.

Impairment of financial assets available for sale and held to maturity.

The Bank and its subsidiaries' review any debt instruments classified as investments available for sale or held to maturity at each financial statement date to evaluate any impairment. This requires judgments similar to the individual evaluation of loans and receivables.

The Bank and its subsidiaries also record impairment in any investments classified as available for sale or held to maturity for which there was a significant or prolonged write-off of the fair value, below its cost. The determination of what is deemed "significant" or "prolonged" requires judgment. To reach this judgment, the Bank evaluates, among others factors, the historical variation of share prices, as well as the duration and extent to which the investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

c. Revised IFRS pronouncements

The accounting policies adopted on these consolidated financial statements are consistent with those of the previous year.

The following standards were issued but are not yet effective for 2015:

• Annual improvements

The "Annual Improvements to IFRSs" for the 2012-14 annual improvement cycles were issued September 25, 2014 and their adoption is required starting July 1, 2016.

The Company does not believe that the amendments will have a material impact on its consolidated financial statements except for additional disclosures that will be provided.

• IFRS 9 – Financial Instruments

The IFRS 9 is being issued in chapters. In November 2009 and October 2010, chapters containing new measurement and classification rules for financial assets and financial liabilities were issued. In addition, in November 2013 the chapter containing the hedge accounting rules was issued.

The finalized version of IFRS 9 was issued on July 24, 2014 and contains changes in the previous chapters related to measurement and classification as well as in hedge accounting. The finalized version also introduces new rules for impairment of financial instruments and derecognition.

The adoption of the chapters containing new measurement and classification rules will have a significant effect on the classification and measurement of financial assets of the Company, but is not expected to have significant impacts on the classification and measurement of financial liabilities. The Company has not applied hedge accounting and therefore does not expect impacts from the application of the referred chapter.

The change is applicable for years beginning January 1, 2018. The Company has not adopted IFRS 9 in these consolidated financial statements and does not intend to early adopt it.

• IFRS 11 – Joint Arrangements

“Accounting for Acquisitions of Interests in Joint Operations” amendments to IFRS 11, was published in May, 2014. The amendments sets out that an acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations, is required to: (i) apply all of the business combinations accounting principles, and (ii) disclose the information required by IFRS 3 and other IFRS’s for business combinations.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS 11 amendments in these consolidated financial statements and does not intend to early adopt them.

• IFRS10 and IAS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

“Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” amends IFRS10 and IAS28, to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors’ interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS10 and IAS28 amendments in these consolidated financial statements and does not intend to early adopt them.

d. Consolidated financial statements

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). Control exists where the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

Notes to the consolidated financial statements
December 31, 2015
(In thousands of reais)

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Bank, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The following table lists the principal subsidiaries of the Bank, held directly and indirectly, including investment funds consolidated in the financial statements.

		Equity interest - %	
	Country	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
BW Properties S.A.	Brazil	71.98	67.86
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	94.50	94.50
Recovery do Brasil Consultoria S.A.	Brazil	-	73.23
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	98.84
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
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	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
BTG Pactual Chile Proyectos y Rentas S.A.	Chile	-	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile Finanzas y Servicios S.A.	Chile	-	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	100.00
BTG Pactual Seguros de Vida	Chile	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

(In thousands of reais)

	Country	Equity interest - % 2015	2014
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	100.00
BTGP S.A.	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
BTG Pactual Commodities Holding (UK) Limited	UK	100.00	100.00
BTG Pactual Commodities S.A.	Brazil	99.99	99.99
BTG Pactual Commodities (UK) LLP	UK	100.00	100.00
BTG Pactual Commodities (Singapore) PLC	Singapore	100.00	100.00
BTG Pactual Commodities (Switzerland) SA	Switzerland	100.00	100.00
BTG Pactual Commodities Holding (US) LLC	USA	100.00	100.00
BTG Pactual Commodities (US) LLC	USA	100.00	100.00
BTG Pactual Commodities (Keya) Limited	Kenya	100.00	-
BTG Pactual Commodities (South Africa) (Pty) Ltd	South Africa	100.00	100.00
BTG Pactual Commodities Argentina S.A.	Argentina	100.00	100.00
BTG Pactual Warehousing (SG) PTE	Singapore	100.00	100.00
BTG Pactual Commodities (Shanghai) Co	China	100.00	100.00
BTG Pactual Warehousing (US) LLC	USA	100.00	100.00
BTG Pactual Warehousing (UK) Ltd	UK	100.00	100.00
BTG Pactual Commodities Trading US LLC	USA	100.00	100.00
BTG Pactual Commodities Ukraine	Ukraine	100.00	100.00
BTG Pactual Commodities (Italy) SRL	Italy	100.00	100.00
BTG Pactual Commodities (Costa Rica) SRL	Costa Rica	100.00	100.00
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
BSPE 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

(In thousands of reais)

	Country	Equity interest - % 2015	2014
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 Master Fund	Cayman	100.00	-

(i) Entities acquired through business combination of BSI, presented as Discontinued operations, as described in Note 17.

e. 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 at the rate prevailing at the reporting date, while income and expense accounts were translated at the average rate of the month.

The financial statements of subsidiaries, whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

The foreign exchange effects of the conversion of foreign subsidiaries are recorded in the statement of other comprehensive income, as well as hedge transactions, when applicable.

Seasonality of transactions

Considering the activities that the Bank is envolved in, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Bank does not provide disclosures about seasonality in these notes to the consolidated financial statements for year ended on December 31, 2015.

Restatements of financial statements

The Bank has revised its previously issued statement of cash flows as at December 31, 2014 resulting in decrease in financing activities of R$1,636,901, and an increase in the same amount in operating activities. This review was in order to apply accounting practices consistent with those applied as at December 31, 2015. In addition, the Bank reclassified certain balance sheet itens to better presentation of the comparative period of December 31, 2014.

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and by its direct and indirect controlled companies are the following:

a) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives financial instruments

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement in "Net results with financial instruments".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in expenses "Net gains on financial instruments".

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria are observed and the designation of each instrument is individually determined:

• Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

• Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

• The financial instrument has one (or more) embedded derivative(s), which significantly modifies the cash flows that would be required by the agreement.

Financial assets and liabilities at the fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Valuation changes in the fair value and earned or incurred interests are recorded as "Net gains on financial instruments", while dividend revenues are recognized as "Other operating income" when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares, quotas and debt instruments. Shares and quotas classified as available for sale are those not classified as held for trading or designated at the fair value through profit or loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are transferred to the income statement, under the heading "Net gains on financial instruments".

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) "Day 1" profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value ("Day 1" profit or loss) is immediately recognized in "Net gains on financial instruments". In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognized.

(viii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Bank receivables and loans and receivables

Bank receivables and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at the fair value through profit and loss; or

- Those initially designated as available for sale; or

- Those whose total investment will not be substantially recovered, except for reasons of credit deterioration.

After initial measurement, bank receivables and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities carried at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

b) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognized when the right to receive the cash flow of the asset expired or the Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if: (i) there is substantial transfer of all risks and benefits of the asset; or (ii) there is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the bank and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the bank and its subsidiaries have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the bank and its subsidiaries.

(ii) Financial liabilities

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

c) Open Market investments (repurchase and resale agreements)

Amounts sold with repurchase agreements at a future date are not derecognized from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

d) Securities lending and borrowings

Transactions of securities lending and borrowings are generally secured by other bonds or by cash. The transfer of the security to the counterparty is only reflected on the balance sheet if the risks and benefits of title are also transferred. Advanced cash or cash received as guarantee is registered as an asset or liability.

Securities lending transactions are not recognized on the balance sheet, except if they have been sold to third parties and, in this case, the obligation of returning the security is registered as trading financial liability with gains or losses including in the "Net results with financial instruments ".

e) Determining fair value

Financial instruments are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same financial instrument.

Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data.

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Bank determines a reasonable level for the input. Financial instruments primarily include certain unlisted equity shares mainly derived from our merchant banking activities, debt securities (debentures) from non-public companies and energy derivatives where valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of a financial instrument valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Debt securities (debentures)	Standard models and comparable prices.	Probability of default, loss severity and yield, prepayment and recovery rates.
Energy derivatives	Models based on Decomp and Newwave systems data.	GDP, hydro reservoir levels and rain forecast.

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

f) Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(ii) Financial assets available-for-sale

In case of any impairment losses related to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income. However, if in a subsequent year occurs an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and loss.

The main evidence of impairment for financial assets are the significant decline in the fair value of any security for a prolonged period, noncompliance with contract terms for delay of principal or interest, deterioration in ability to pay and operational performance, breach of covenants, significant change in the performance of the counterparty, reduced liquidity of the asset due to financial difficulties of the lender.

(ii) Financial assets accounted at amortized cost

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss from impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'.

Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss from impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

g) Financial instruments – Offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recognized and if there is the intention to offset, or to realize the asset and clear the liability simultaneously.

h) Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefit is transferred to the Bank and that the income may be reliably measured. The criteria of recognition specified as follows must be complied with before the income is recognized:

(i) Interest income and expenses

For all financial instruments measured at amortized cost, financial assets that accrue interest classified as available for sale the interest income or expenses are recorded using the effective interest rate method, which is the rate that discounts the future receipts or payments estimated by the estimated life of the financial instrument, or, when appropriate, a shorter period to the net book value of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are part of the effective rate, but does not include credit losses based on future events. The measurement of the financial asset or liability is adjusted if the bank changes the payment and receipt estimates. The remeasurement adjustment is calculated based on the original interest rate and the adjustment to book value is recorded as "Other operational income (expenses)". However, for reclassified financial assets for which the bank subsequently increases its estimate of future cash receipt, the effect of the increase is recognized as an adjustment in the actual rate from the date of the change in estimate.

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

Once the recorded value of a financial asset or a group of similar financial assets are written-off due to an impairment loss, the interest income continues to be recognized by using the interest rate used to discount the future cash flow used to measure the impairment loss.

(ii) Fee and commission income

The Bank and its subsidiaries recognize fees and commission income due to several types of services that it provides to its clients. Revenue from fees can be segregated into the following categories:

- Revenues with fees and commissions earned from services provided in a given period:

  Fees and commissions realized with provision of services throughout the period are recorded over the same period. These revenues include commission and management fees of assets, custody and other management fees, custody, and administration of investment funds.

  Revenues with fees of loans in which the credit is likely to be used - and other fees related to credit - are deferred (together with any incremental costs) and recognized as an adjustment to the actual interest rate of the loan. When the use of credit from a loan is not probable, revenue of fees of loans is recognized over the period of the loan using the straight-line method.

- Fees from services rendered relating to executed transactions:

  Fees resulting from trading or interest in trading with third parties, such as, for example, share purchase agreement or other bonds or purchase or sale of a business, are recognized at the end of a transaction. Fees or components of rates that are related to specific performance are recognized after meeting specific criteria.

(iii) Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

i) Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents include cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

j) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and Management has committed to sell such assets.

Assets are reclassified out of non-current assets held for sale due to changes to a plan of sale and when the sale is no longer considered highly probable. As a result of the reclassification, the asset will be adjusted to any depreciation or revaluation measured at the lower of its carrying amounts before the classification as held for sale, or its recoverable amount.

k) 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.

l) Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities comprise entities over which the Group has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Bank and its subsidiaries' interests in the profit or loss of its associates and jointly controlled entities is recognized in the "Share of profit in associates and jointly controlled entities". Any movements in the equity reserves of these entities are recognized directly in other comprehensive income.

m) Property, plant and equipment

Property, plant and equipment are accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment are written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset's disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as 'other operating income' in the statements of income when the asset is disposed.

n) Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Shares issued as part of the consideration transferred are measured at fair value at the issuance date. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

o) Intangible Assets

Intangible assets are recorded at cost and include acquired assets and computer software. An intangible asset is recognized only when its cost can be reliably measured and it is likely that the future economic benefits expected which are assigned to them shall be carried out.

The amortization expenses of intangible assets with definite useful lives (from 5 to 10 years) are recognized in the income statement in administrative expenses, consistent with the function of the intangible asset. The intangible assets with indefinite useful lives are not amortized but tested annually to identify possible impairment losses, which are recognized in the income statement by the carrying amount of the asset that exceeds its recoverable value.

p) Impairment of nonfinancial assets

Investments in associates and jointly controlled entities and assets that have an indefinite life, such as goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

q) Financial guarantees provided

In the ordinary course of business, the bank and its subsidiaries grant financial guarantees, through letters of credit, guarantees and sureties. Financial guarantees are initially recognized in the financial statements (in 'other liabilities') based on the premium amount and are amortized throughout the agreement term. Subsequent to initial recognition, liabilities are measured at the greater of the amount initially recognized less, when appropriate, the value of accumulated amortization recognized in the income and the best estimate of the costs required to settle any financial obligation created by this guarantee.

r) Contingent assets and liabilities

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Provisions - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for nor disclosed.

s) Taxes

Allowances for income tax and social contribution are recognized based on accounting profit, adjusted for additions and deductions provided for by tax law. Deferred income tax and social contribution are calculated on the value of temporary differences and tax loss carry forwards, and are recognized when the realization of those amounts are deemed probable. For income tax the rate used is 15% plus a 10% allowance on annual taxable income exceeding R$240 and 20% for social contribution.

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable in the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date.

Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

t) Dividends and interest on shareholders' equity (ISE) of shares

Dividends and interest on shareholders' equity are recognized as a liability and deducted from the net equity when approved by the Bank's shareholders. Dividends on the interim dates are deducted from the net equity when declared and are not subject to further decision of the Bank.

u) Earnings per share

Earnings per share is calculated by dividing net income attributable to common and preferred shareholders by the weighted average of common and preferred shares outstanding in each financial year. The weighted average number of common and preferred shares is calculated based on the periods in which the shares were in circulation.

v) Segment Information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

w) Discontinued Operations

In accordance with IFRS 5, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

(In thousands of reais)

(1) Represents either a separate major line of business or a geographical area of operations;
(2) Is part of a single co-ordinated plan to dispose a separate major line of business of geographical area of operations; or
(3) Is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The result from discontinued operations is stated at a single amount, separated from other revenues and expenses, after income from continuous operations and net of tax. The income statement, balance sheet and net cash flows attributed to discontinued operations are stated in Note 17.

5. Risk management

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented easily and 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. We believe 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
Prudential Reference Shareholders' Equity	19,658,799	14,678,862
Tier I	22,348,819	16,736,911
Common Equity	17,206,110	13,239,075
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%)	15.5%	17.5%
Tier I capital	13.1%	13.7%
Tier II capital	2.3%	3.7%

	2015	2014
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 or insufficient	3,962,927	2,281,441

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 minimum requirements for Reference Shareholders' Equity (PR), Level I and Main Capital, Additional for the Main Capital, Fixed assets to equity capital ratio, Market, Credit and Operational risk were calculated based on resolutions and circulars issued by CMN and BACEN. In addition, the Bank has chosen the basic indicator approach to measure operating risk.

The Bank has chosen the basic indicator approach to measure operating risk.

As at 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, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 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 a 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

(In thousands of reais)

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.

The maximum exposures of the financial assets divided by geographic region are as follows:

	2015				
	Brazil	**United States**	**Europe**	**Others (i)**	**Total**
Asset					
Cash and balances at Central Bank	1,632,239	2,123,576	955,578	343,484	5,054,877
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	9,467,665	597,029	251,845	1,317,243	11,633,782
Financial assets designated at fair value through profit and loss	9,542,553	-	-	-	9,542,553
Derivative financial instruments	34,321,391	725,748	5,661,784	584,335	41,293,258
Loans and Receivables					
Open market investments	7,673,205	7,790	-	329,514	8,010,509
Amounts receivable from banks	312,193	3,548,611	-	-	3,860,804
Other loans and receivables	12,371,263	17,825	362,274	4,196,214	16,947,576
Available-for-sale financial assets	353,721	-	-	-	353,721
Held-to-maturity financial assets	5,128,734	-	-	-	5,128,734
Non-current assets held for sale	378,352	-	-	-	378,352
Total	**81,181,316**	**7,020,579**	**7,231,481**	**6,770,790**	**102,204,166**

	2014				
	Brazil	**United States**	**Europe**	**Others (i)**	**Total**
Asset					
Cash and balances at Central Bank	1,145,666	468,390	267,211	849,653	2,730,920
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	8,499,697	3,612,742	490,682	1,827,254	14,430,375
Financial assets designated at fair value through profit and loss	23,513,940	-	-	-	23,513,940
Derivative financial instruments	17,559,217	17,099,893	379,183	268,850	35,307,143
Loans and Receivables					
Open market investments	6,964,535	1,794,345	-	275,576	9,034,456
Other loans and receivables	26,373,522	9,380	578,277	4,988,741	31,949,920
Amounts receivable from banks	2,660,845	1,962,400	-	-	4,623,245
Available-for-sale financial assets	939,547	-	-	-	939,547
Held-to-maturity financial assets	4,634,556	-	-	-	4,634,556
Non-current assets held for sale	946,514	-	-	-	946,514
Total	**93,238,039**	**24,947,150**	**1,715,353**	**8,210,074**	**128,110,616**

(i) See Note 8(a).

(In thousands of reais)

The table below provides the main exposures to credit risk based on accounting values and classified by economic activity of the counterparties:

	2015									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Energy	Rural	Other (i)	Total
Asset										
Cash and balances at Central Bank	1,594,810	3,460,067	-	-	-	-	-	-	-	5,054,877
Financial assets at fair value through profit or loss										
Financial Assets held for trading	6,126,471	495,567	1,113,071	775,190	-	581,348	944,079	70,202	1,527,854	11,633,782
Financial assets designated at fair value through profit and loss	9,542,553	-	-	-	-	-	-	-	-	9,542,553
Derivative financial instruments	-	29,977,700	46,532	715,051	19,595	160,479	3,516,990	37,063	6,819,848	41,293,258
Loans and Receivables										
Open market investments	2,888,419	2,186,851	-	2,597,593	-	-	-	-	337,646	8,010,509
Other loans and receivables	326,436	732,228	7,153,587	51,660	626,388	686,955	4,646,936	333,671	2,389,715	16,947,576
Amounts receivable from banks	-	3,860,804	-	-	-	-	-	-	-	3,860,804
Available-for-sale financial assets	-	-	-	353,721	-	-	-	-	-	353,721
Held-to-maturity financial assets	-	5,128,734	-	-	-	-	-	-	-	5,128,734
Non-current assets held for sale	-	-	378,352	-	-	-	-	-	-	378,352
Total	**20,478,689**	**45,841,951**	**8,691,542**	**4,493,215**	**645,983**	**1,428,782**	**9,108,005**	**440,936**	**11,075,063**	**102,204,166**

	2014									
	Governments	Financial institutions	Services	Investment funds	Individuals	Industry	Energy	Rural	Other (i)	Total
Asset										
Cash and balances at Central Bank	1,145,666	1,585,254	-	-	-	-	-	-	-	2,730,920
Financial assets at fair value through profit or loss										
Financial Assets held for trading	4,601,079	1,516,668	3,990,257	2,864,238	-	632,382	253,597	3,472	568,682	14,430,375
Financial assets designated at fair value through profit and loss	-	23,513,940	-	-	-	-	-	-	-	23,513,940
Derivative financial instruments	-	26,403,192	136,976	2,610,847	27,268	5,756,815	125,523	162,598	83,924	35,307,143
Loans and Receivables										
Open market investments	-	1,575,321	8,628	7,444,220	-	-	-	-	6,287	9,034,456
Other loans and receivables	433,353	-	23,298,612	-	1,330,290	1,599,391	2,849,927	500,723	1,937,624	31,949,920
Amounts receivable from banks	-	4,623,245	-	-	-	-	-	-	-	4,623,245
Financial assets available for sale	-	-	-	939,547	-	-	-	-	-	939,547
Held-to-maturity financial assets	-	4,634,556	-	-	-	-	-	-	-	4,634,556
Non-current assets held for sale	-	-	321,501	-	-	-	625,013	-	-	946,514
Total	**6,180,098**	**63,852,176**	**27,755,974**	**13,858,852**	**1,357,558**	**7,988,588**	**3,854,060**	**666,793**	**2,596,517**	**128,110,616**

(i) Represents primarily exposure at tradable shares and investment funds quotes.

(In thousands of reais)

Financial assets that are due without event of loss or individually due with event of loss are covered partially or in whole by guarantees. The disclosure of main guarantees is described on Note 12.

In December 31, 2015 and 2014 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

d. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establishes substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the years ended on December 31:

	2015		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	5,054,877	-	5,054,877
Financial assets at fair value through profit or loss			
Financial Assets held for trading	11,633,782	-	11,633,782
Financial assets designated at fair value through profit and loss	9,371,202	171,351	9,542,553
Derivative financial instruments	35,676,689	5,616,569	41,293,258
Loans and Receivables			
Open market investments	8,010,509	-	8,010,509
Other loans and receivables	6,202,458	10,745,118	16,947,576
Amounts receivable from banks	3,858,611	2,193	3,860,804
Financial assets available for sale	87,751	265,970	353,721
Held-to-maturity financial assets	865,716	4,263,018	5,128,734
Non-current assets held for sale	378,352	-	378,352
Deferred tax assets	-	6,269,711	6,269,711
Discontinued operations - assets	90,082,776	-	90,082,776
Other assets	29,290,224	7,424,405	36,714,629
Investment in associates and jointly controlled entities	-	6,203,639	6,203,639
Property, plant and equipment	-	244,119	244,119
Intangible assets	-	1,279,023	1,279,023
Total Assets	**200,512,947**	**42,485,116**	**242,998,063**

	2014		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	2,730,920	-	2,730,920
Financial assets at fair value through profit or loss			
Financial Assets held for trading	14,430,375	-	14,430,375
Financial assets designated at fair value through profit and loss	23,513,940	-	23,513,940
Derivative financial instruments	30,054,517	5,252,626	35,307,143
Loans and Receivables			
Open market investments	9,034,456	-	9,034,456
Other loans and receivables	11,949,693	20,000,227	31,949,920
Amounts receivable from banks	4,610,048	13,197	4,623,245
Financial assets available for sale	-	939,547	939,547
Held-to-maturity financial assets	-	4,634,556	4,634,556
Deferred tax assets	946,514	-	946,514
Other assets	705,072	1,225,380	1,930,452
Investment in associates and jointly controlled entities	14,302,052	5,672,541	19,974,593
Property, plant and equipment	-	6,413,020	6,413,020
Intangible assets	-	131,987	131,987
	-	1,151,425	1,151,425
Total Assets	**112,277,587**	**45,434,506**	**157,712,093**

(In thousands of reais)

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Bank and its subsidiaries, for the year ended December 31, 2015 and 2014:

	2015		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	6,018,716	-	6,018,716
Derivative financial instruments	34,011,943	5,282,791	39,294,734
Financial Liabilities carried at amortized cost			
Amounts payable to banks	1,386,037	89,330	1,475,367
Open market funding	14,231,882	30,140	14,262,022
Other financial liabilities carried at amortized cost	26,259,676	30,119,670	56,379,346
Tax liabilities	1,353,748	2,134,158	3,487,906
Other liabilities	3,535,239	13,938,009	17,473,248
Total liabilities	**86,797,241**	**51,594,098**	**138,391,339**

	2014		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	13,137,225	-	13,137,225
Derivative financial instruments	28,962,947	4,369,220	33,332,167
Financial Liabilities carried at amortized cost			
Amounts payable to banks	665,026	104,793	769,819
Open market funding	25,158,413	986,451	26,144,864
Other financial liabilities carried at amortized cost	30,067,026	27,435,916	57,502,942
Tax liabilities	943,566	1,547,005	2,490,571
Other liabilities	-	8,839,386	8,839,386
Total liabilities	**98,934,203**	**43,282,771**	**142,216,974**

The table below presents the undiscounted cash flows for "Financial liabilities carried at amortized cost". We are not presenting undiscounted cash flows for "Financial Liabilities at fair value through profit or loss".

	2015		
	Under 12 months	Over 12 months	Total
Financial liabilities carried at amortized cost			
Amounts payable to banks	1,402,514	129,477	1,531,991
Open market funding	17,035,340	2,858,413	19,893,753
Other financial liabilities carried at amortized cost	31,039,535	34,695,602	65,735,137

	2014		
	Under 12 months	Over 12 months	Total
Financial liabilities carried at amortized cost			
Amounts payable to banks	699,718	150,133	849,851
Open market funding	25,379,324	3,285,355	28,664,679
Other financial liabilities carried at amortized cost	23,391,053	42,211,350	65,602,403

(In thousands of reais)

f. 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 and balance at Central Bank

The composition of this account is presented below:

	2015	2014
Cash at banks	3,460,067	1,585,254
Balance at Central Bank	1,594,810	1,145,666
Total	**5,054,877**	**2,730,920**

7. Assets and liabilities at fair value through profit and loss

a. Financial assets held for trading

	2015		2014	
	Cost	Market	Cost	Market
Own portfolio	6,685,374	6,002,423	11,468,782	10,640,555
Federal government bonds	840,893	764,266	1,212,310	1,209,240
Brazilian foreign debt securities	2,083	2,083	19,682	19,682
Debentures/Eurobonds (i)	303,496	276,046	1,580,375	553,816
Bank certificates of deposit	19,507	19,507	104	104
Bank credit certificate	-	-	37,825	37,402
Investment fund quotes				
Shares	21,355	21,355	136,961	136,961
Multimarket	408,948	226,790	1,926,714	1,917,129
FIDC - Credit Rights	1,734	1,734	5,796	5,796
Real Estate	7,343	7,343	382,326	382,326
Equity Investment fund	186,542	466,493	424,326	424,233
Shares	3,356,318	2,708,854	3,612,757	3,830,057
Financial bills	70,202	70,202	-	-
Other	4,110	4,023	-	-
Certificate of real estate receivables	193,990	176,678	989,327	989,327
Foreign government bonds	524,500	522,183	126,383	125,143
Foreign private securities				
Corporate bonds	733,321	723,834	182,866	183,835
Other	11,032	11,032	831,030	825,504

(In thousands of reais)

	2015		2014	
	Cost	Market	Cost	Market
Unrestricted portfolio	593,661	591,054	532,456	529,059
Federal government bonds	593,661	591,054	532,456	529,059
Subject to repurchase agreements	2,960,010	2,964,402	1,787,015	1,780,414
Federal government bonds	2,676,435	2,676,769	622,949	616,024
Foreign government bonds	162,169	162,169	762,017	762,341
Debentures / Eurobonds (i)	63,404	48,681	402,049	402,049
Foreign private securities				
Corporate bonds	58,002	76,783	-	-
Subject to guarantees	2,311,519	2,075,903	1,545,615	1,480,347
Federal government bonds	1,649,538	1,654,445	1,236,802	1,217,031
Investment fund quotes				
Multimarket	171,338	171,338	-	-
Bank certificates of deposit	8,350	8,350	-	-
Other	1,790	1,790	135,056	135,046
Shares	480,503	239,980	158,361	112,832
Foreign government bonds				
Other	-	-	15,396	15,438
	12,550,564	11,633,782	15,333,868	14,430,375

(i) Substantially securities issued by Brazilian companies.

b. Financial liabilities held for trading

	2015	2014
Short position in securities	5,900,406	12,775,647
Loan of securities		
Shares	118,310	361,578
	6,018,716	**13,137,225**

c. Financial assets designated at fair value through profit and loss

Financial assets designated at fair value through profit or loss is basically represented by short-term repurchase agreements are measured at fair value once it significantly reduces the inconsistent treatment that would occur in the measurement of these assets in the recognition of gains and losses.

The amortized cost of such transactions is represented by the amount of R$9,419,041 and R$23,525,941, as of December 31, 2015 and 2014, respectively.

(In thousands of reais)

d. Derivatives financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedge for their 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 by 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. – OTC Clearing House; 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 December 31, 2015 and 2014, the Bank does not have derivative financial instruments classified as hedge accounting.

The composition of this account is presented below:

	2015		2014	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	59,176	59,176	18,430	18,430
Short position	(41,362)	(41,362)	(7,340)	(7,340)
Swaps				
Long position	1,406,301	1,901,213	853,100	1,704,205
Short position	(3,538,070)	(3,196,556)	(1,477,274)	(2,180,104)
Credit derivatives				
Long position	4,167	4,167	17,401	20,671
Short position	(22,819)	(22,819)	(24,912)	(29,001)
Non-deliverable forward - NDF				
Long position	4,671,706	4,529,602	737,683	572,553
Short position	(3,114,707)	(3,104,400)	(543,958)	(313,106)
Deliverable forward - DF				
Long position	19,306,230	19,204,631	19,334,826	20,366,846
Short position	(19,218,017)	(18,611,918)	(18,587,468)	(18,975,048)
Security forwards				
Long position	353,813	353,813	1,863,795	1,863,795
Short position	(353,648)	(353,648)	(1,864,206)	(1,864,427)
Options market				
Long position	2,654,301	3,473,653	995,900	1,370,664
Short position	(1,480,961)	(2,171,313)	(488,835)	(650,115)
Exchange portfolio				
Long position	11,767,003	11,767,003	9,389,979	9,389,979
Short position	(11,792,718)	(11,792,718)	(9,309,826)	(9,313,026)
Long position	**40,222,697**	**41,293,258**	**33,211,114**	**35,307,143**
Short position	**(39,562,302)**	**(39,294,734)**	**(32,303,819)**	**(33,332,167)**

(i) Refers to book value receivable (received) / payable (paid).

(In thousands of reais)

We show below the notional value of derivative operations. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	2015	2014
	Total	Total
Futures market		
Long position	64,910,392	92,904,844
Currency	3,063,003	13,261,343
Interest rate	27,151,507	7,239,587
Commodities	34,018,152	19,108,318
Index	677,730	53,295,596
Short position	113,146,444	132,143,874
Currency	9,330,260	4,413,078
Interest rate	53,157,681	35,695,532
Commodities	49,980,773	23,204,657
Index	677,730	68,830,607
Swap		
Long position	79,050,901	144,487,244
Currency	3,418,165	6,174,223
Interest rate	71,284,933	120,673,644
Index	604,938	8,632,919
Equities	123,872	324,709
Commodities	3,382,081	4,112,719
Other	236,912	4,569,030
Short position	79,050,901	144,487,244
Currency	3,383,477	10,733,082
Interest rate	67,356,077	120,705,059
Index	1,384,147	4,471,139
Equities	442,109	263,885
Commodities	4,012,950	4,103,873
Other	2,472,141	4,210,206
Credit Derivatives		
Long position	136,668	432,164
Sovereign	136,668	185,934
Corporate	-	246,230
Short position	182,868	325,916
Corporate	182,868	325,916
Non-deliverable forward - NDF		
Long position	69,421,066	12,006,059
Currency	37,019,547	2,170,813
Commodities	29,886,784	-
Index	-	9,777,632
Interest rate	2,514,735	57,614
Short position	69,421,066	12,006,059
Currency	38,965,831	11,488,632
Commodities	29,889,504	-
Index	-	511,165
Interest rate	565,731	-
Deliverable forward - DF		
Long position	62,430,911	72,714,522
Currency	38,778,383	39,595,462
Commodities	15,172,313	33,119,060
Interest rate	8,480,215	-

(In thousands of reais)

	2015	2014
	Total	Total
Short position	62,430,911	72,714,522
Currency	38,778,383	39,185,365
Commodities	9,038,825	-
Interest rate	14,613,703	33,529,157
Security forwards		
Long position	354,132	991,234
Interest rate	289,798	-
Government bonds	64,334	991,234
Short position	354,132	991,234
Interest rate	64,334	-
Government bonds	289,798	991,234
Options market		
Call option	15,202,918	22,610,124
Equities	415,893	265,137
Commodities	5,342,524	1,265,298
Index	30,255	17,488,638
Currency	9,343,960	3,589,551
Other	70,286	1,500
Put option	17,620,753	21,940,288
Equities	395,404	227,191
Commodities	8,740,920	3,742,256
Index	-	14,983,766
Currency	8,480,207	2,987,075
Other	4,222	-
Call option	15,830,967	7,314,179
Equities	299,972	196,514
Commodities	4,711,397	1,391,569
Index	25,212	2,129,081
Currency	10,724,100	3,597,015
Others	70,286	-
Put option	11,846,001	36,024,628
Equities	701,270	151,285
Commodities	4,059,595	1,054,792
Index	-	31,660,845
Currency	7,085,136	3,157,706
Exchange Portfolio		
Long position	9,389,979	9,389,979
Currency	9,389,979	9,389,979
Short position	9,086,028	9,086,028
Currency	9,086,028	9,086,028

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and sovereign 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).

e. Reclassification of securities

Management classifies securities according to its trading intention. No reclassifications or changes in intention were made by Management during the period.

(In thousands of reais)

8. Available-for-sale financial assets

	2015		2014	
	Cost	Market	Cost	Market
Investment fund quotes				
Equity Investment fund	353,721	353,721	939,547	939,547
	353,721	353,721	939,547	939,547

9. 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 that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the BM&F, the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).

- Futures and forwards – Prices obtained in exchanges or using the same criteria as described above for swaps.

- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).

- Financial instruments held for trading – the fair values of bonds are calculated based on prices published by ANDIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.

- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

The table below summarizes the fair value hierarchy of the financial instruments, classified based on the measurement methods adopted by the Bank:

	2015			
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	9,388,565	2,089,888	155,329	11,633,782
Financial assets designated at fair value through profit and loss	-	9,542,553	-	9,542,553
Available-for-sale financial assets	-	279,663	74,058	353,721
Derivative financial instruments	14,790,205	22,946,199	3,556,854	41,293,258
Liability				
Financial liabilities held for trading	6,018,716	-	-	6,018,716
Derivative financial instruments	15,722,615	20,780,514	2,791,605	39,294,734

(In thousands of reais)

	2014			
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	7,745,703	5,656,110	1,028,562	14,430,375
Financial assets designated at fair value through profit and loss	-	23,513,940	-	23,513,940
Available-for-sale financial assets	-	-	939,547	939,547
Derivative financial instruments	22,031,483	10,620,075	2,655,585	35,307,143
Liability				
Financial liabilities held for trading	13,137,225	-	-	13,137,225
Derivative financial instruments	20,562,768	10,592,063	2,177,336	33,332,167

There were no reclassifications between Level 1 and 2 for the year ended December 31, 2015 and 2014.

The movement on financial instruments classified as Level 3 in the year ended December 31, 2015 and 2014 are presented below:

	Derivative financial instruments	Financial assets held for trading	Financial assets available for sale	Total
At December 31, 2013	152,517	2,367,483	423,821	2,943,821
Acquisition / sales	596,821	(1,325,294)	-	(728,473)
Gain/losses	(271,089)	(13,627)	515,726	231,010
At December 31, 2014	478,249	1,028,562	939,547	2,446,358
Acquisition / sales	202,149	(879,262)	87,751	(589,362)
Gain/losses	84,851	6,029	(953,240)	(862,360)
At December 31, 2015	765,249	155,329	74,058	994,636

Transfers from Level 2 during the year of 2015 basically refer to liquidity reduction in securities classified into this category.

10. Open market investments and funding

The amounts presented below are basically overnight, and indexed to local and foreign benchmark interest rate.

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Own funds	5,657,591	8,017,992	2,438,154	9,579,320
Third-party funds	2,352,918	6,244,030	6,557,167	16,565,544
Short position	-	-	39,135	-
	8,010,509	14,262,022	9,034,456	26,144,864

The collateral received in repurchase agreements above and on financial assets designated at fair value through profit and loss (Note 7c) amounts to R$19,560,075 (December 31, 2014 - R$33,524,609), whereas the collateral granted amounts to R$25.067.958 (December 31, 2014 - R$38,485,377).

(In thousands of reais)

11. Amounts receivable from/payable to banks

The composition of this account is presented below:

	2015		2014	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	312,193	1,475,367	2,660,846	769,819
Investments in foreign currency – Overnight	3,548,611	-	1,962,399	-
	3,860,804	1,475,367	4,623,245	769,819

12. Other loans and receivables

a. Composition

The composition of this account is presented below:

	2015		
	Balance	Allowance	Total
Loans	8,425,626	(1,251,356)	7,174,270
Debentures	4,455,689	(181,045)	4,274,644
Promissory notes	121,250	-	121,250
Certificate of real estate receivables	747,897	(173,816)	574,081
CRA	363,182	-	363,182
Financing	1,648,571	(134,145)	1,514,426
FINAME/BNDES	2,424,105	(35,481)	2,388,624
Foreign currency advances	3,489	-	3,489
Fund for Compensation of Salary Variations (FCVS)	326,436	-	326,436
Securities and credits receivable (i)	400,470	(193,296)	207,174
	18,916,715	(1,969,139)	16,947,576

	2014		
	Balance	Allowance	Total
Loans	12,692,663	(806,818)	11,885,845
Debentures	10,520,140	(26,535)	10,493,605
Promissory notes	2,282,620	(597)	2,282,023
Financing	2,389,861	(66,064)	2,323,797
FINAME/BNDES	1,664,423	(12,507)	1,651,916
Foreign currency advances	657,563	-	657,563
Fund for Compensation of Salary Variations (FCVS)	155,035	-	155,035
Securities and credits receivable (i)	1,725,012	(956,839)	768,173
Other loans without loan characteristics (ii)	1,763,875	(31,912)	1,731,963
	33,851,192	(1,901,272)	31,949,920

(i) Refers to the acquisition of credit rights.

(In thousands of reais)

(ii) Refers to the acquisition of credit portfolios and financing of vehicles through Investment Funds in Credit Rights (FIDC). The evaluation of these portfolios is performed based on the internal return rate (IRR).

The amount of guarantees received for credit operations at December 31, 2015 and 2014, was R$15,345,639 and R$14,458,693, respectively.

b. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the fiscal years were as follows:

	2015	2014
Opening balances	(1,901,272)	(1,280,585)
Reversal/(recording) of allowance (i)	(516,041)	(770,951)
Exchange rate variation	182,753	18,053
Contigencies transfer provision	113,278	-
Credits written off as loss (ii)	152,143	132,211
Closing balances	(1,969,139)	(1,901,272)

(i) As at December 31, 2015, included R$150,256 (December 31, 2014 - R$236,139) relating to provision for stand-by letters and guarantees granted, which was recorded as other liabilities (Note 19).
(ii) In December 2015, the Bank has offsetted the presentation of allowance for loan losses with the loans and receivables acquired by FIDCs, which corresponded substantially to the remaining difference between the contractual rights acquired and the value paid on the date of the acquisition, in order to present the net exposure to these loans and receivables.

c. Renegotiation/recovery of credits written off as loss

As at the year ended December 31, 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 R$1,414 corespondent to recovery of credits written off loss (December 31, 2014 – R$11,815).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	2015	2014
Low	10,376,403	30,701,361
Medium	4,854,670	2,978,675
High	3,685,642	171,156
Total	18,916,715	33,851,192

The Bank follows an internal loan ratings system that complies with requirements of the Central Bank of Brazil; based on such ratings, for purposes of this footnote, the bank has further grouped the loans into low, medium and higher risk. Low risk included ratings AA and A, medium B and C and high from D to H.

(In thousands of reais)

13. Held-to-maturity financial assets

	2015	2014
Own portfolio		
Federal government bonds	-	1,364,178
Subject to repurchase		
Federal government bonds	4,062,419	1,712,579
Subject to guarantees		
Federal government bonds	1,066,315	1,557,799
	5,128,734	4,634,556

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a negative adjustment of R$183,963 (December 31, 2014 – positive R$1,832).

14. Other financial liabilities carried at amortized cost

a. Summary

	2015	2014
Deposits	16,447,272	18,522,477
Funds from securities issued and accepted	19,560,472	20,971,298
Loans and onlending	6,812,614	6,896,509
Obligations related to transferred loans	492,317	196,266
Subordinated debts	13,066,671	10,916,392
	56,379,346	57,502,942

b. Deposits

	2015	2014
Demand deposits	540,049	168,293
Time deposits	15,907,223	18,354,184
	16,447,272	18,522,477

c. Funds from securities issued and accepted

	2015	2014
Securities – Brazil	12,958,012	13,520,758
Real estate financial bills	-	187,528
Financial bills	11,349,903	10,195,821
Mortgage bonds/letters of credit for agribusiness	1,590,027	3,105,583
Certificates of structured transactions	18,082	31,826
Securities – abroad	6,602,460	7,450,540
Medium term notes	6,295,976	7,297,626
Fixed rate notes	306,484	152,914
	19,560,472	20,971,298

(In thousands of reais)

As at December 31, 2015, liabilities on bonds and securities in Brazil were basically 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. (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, liabilities on bonds and 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.).

d. Loans and onlending

	2015	2014
Loans abroad	3,599,236	4,439,446
Foreign currency	160,767	-
Loans abroad	3,438,469	4,439,446
Loans - Brazil	817,332	799,240
Loans	817,332	799,240
Onlending in Brazil – official institution	2,396,046	1,657,823
FINAME/BNDES	2,396,046	1,657,823
	6,812,614	6,896,509

On December 31, 2015, liabilities for loans and onlending have rates between 0.73% p.a. to 6% p.a. (December 31, 2014 – between 1.78% p.a. and 11.25% p.a.).

e. Subordinated debt

	2015					2014
Type - original currency	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R$ (i)	4,161,000	4/15/2011	4/15/2021	Inflation plus fixed rates	6,084,767	5,403,116
Subordinated debt - US$	800,000	9/28/2012	9/15/2022	5.75%	1,821,507	2,015,440
Subordinated debt eligible to equity - US$ (ii)	1,300,000	9/12/2014	Callable at September 2019	8.75%	5,160,397	3,497,836
Total					13,066,671	10,916,392

(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.

(In thousands of reais)

15. Other assets

The composition of this account is presented below:

	2015	2014
Court deposits	1,739,039	1,508,902
Taxes recoverable to offset	1,555,598	926,938
Debtors/creditors – pending settlement (i)	8,427,517	7,029,507
Investment properties	697,256	1,420,675
Sundry debtors – local	5,236,651	1,822,499
Services provided receivable	916,889	732,103
Management fee and performance fees receivable for funds and investment portfolios	778,060	684,382
Cash from records and settlement	1,157,060	1,417,845
Dividends and bonifications	3,947	41,859
Prepaid expenses	243,901	22,319
Other investments	41,250	44,989
Securities trading and brokerage	2,524,984	1,275,058
Warrants	-	1,490,615
Advance to suppliers	1,059,222	-
Commodities physical inventories	10,198,083	188,754
Miscellaneous	2,135,172	1,368,148
	36,714,629	19,974,593

(i) Line item “Debtors/creditors – pending settlement” basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties and values pending settlement within financial assets sale.

(In thousands of reais)

16. Investments in associates and jointly-controlled entities

		Associates and jointly-controlled entities					
		Shareholders Equity		Income		Interest	
	Relationship	2015	2014	2015	2014	2015	2014
In Brazil							
Banco Pan S.A.	Jointly-controlled entity	3,643,797	3,643,506	8,052	82,515	40.35%	40.35%
Warehouse 1 Empreendimentos Imobs S.A.	Associate	40,974	110,328	(5,621)	20,156	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	Associate	23,848	37,733	4,125	2,888	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	Associate	9,624	17,375	1,344	1,803	44.74%	44.74%
BR Properties S.A.	Associate	-	6,005,116	-	264,408	0.00%	0.12%
BTG Pactual Vivere Participações S.A.	Associate	-	(16,008)	-	(19,531)	20.32%	20.32%
Pan Seguros S.A.	Jointly-controlled entity	673,962	669,000	3,292	54,436	51.00%	51.00%
Pan Corretora S.A.	Jointly-controlled entity	59,961	49,931	10,030	9,189	51.00%	51.00%
Abroad							
BTG Pactual Holding S.A.R.L.	Jointly-controlled entity	5,257,130	4,223,990	1,030,763	316,863	80.00%	80.00%
Maybroke Holding S.A.	Jointly-controlled entity	1,192,369	-	(36,348)	-	50.00%	0.00%

(In thousands of reais)

	Changes in relevant investments							
	2014	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries from 2015	Fair value adjustments	2015	Equity in earnings of associates - 2014
In Brazil								
Banco Pan S.A.	1,315,957	-	(2,003)	-	56,401	821	1,371,176	(246,479)
Warehouse 1 Empreendimentos Imobs S.A.	38,614	(5,075)	(17,899)	-	(1,300)	-	14,340	25,243
Max Casa XIX Empreendimentos Imobs S.A.	18,866	(7,000)	(2,389)	-	2,447	-	11,924	1,549
ACS Omicron Empreendimentos Imobs S.A.	7,774	(4,251)	(1,118)	-	1,901	-	4,306	2,408
BR Properties S.A.	4,738	(4,738)	-	-	-	-	-	(683)
Vivere Soluções e Serviços S.A.	5	3,858	-	-	(3,863)	-	-	(8,937)
Pan Corretora S.A.	26,482	(30,580)	-	-	4,098	-	-	-
Pan Seguros S.A.	347,772	(347,771)	-	-	(291)	290	-	12,324
Rede D'OR São Luiz S.A. (i)	1,020,128	(1,250,185)	-	-	230,057	-	-	-
Abroad								
BTG Pactual Holding S.A.R.L.	3,632,684	-	(276,049)	1,674,529	(825,460)	-	4,205,704	577,133
Maybroke Holding S.A.	-	266,442	-	345,571	(15,824)	-	596,189	-
Other non consolidation BSI entities (iii)	-	(28,863)	-	-	28,863	-	-	-
	6,413,020	(1,408,163)	(299,458)	2,020,100	(522,971)	1,111	6,203,639	362,558

	Changes in relevant investments							
	2013	Aquisition / Increase/ (Sales)	Dividends paid	Exchange rate	Equity in earnings of subsidiaries - 2014	Fair value adjustments	2014	Equity in earnings of associates - 2013
In Brazil								
Banco Panamericano S.A.	917,453	651,073	-	-	(246,479)	(6,090)	1,315,957	(9,563)
Warehouse 1 Empreendimentos Imobs S.A.	15,121	(1,750)	-	-	25,243	-	38,614	(1,168)
Max Casa XIX Empreendimentos Imobs S.A.	11,460	5,857	-	-	1,549	-	18,866	2,652
ACS Omicron Empreendimentos Imobs S.A.	8,638	(3,272)	-	-	2,408	-	7,774	1,911
BR Properties S.A.	179,660	(171,881)	(2,358)	-	(683)	-	4,738	(332,282)
Rede D'OR São Luiz S.A. (i)	1,020,128	-	-	-	-	-	1,020,128	-
Vivere Soluções e Serviços S.A.	2,215	6,727	-	-	(8,937)	-	5	162
Pan Corretora S.A.	-	26,482	-	-	-	-	26,482	-
Pan Seguros S.A.	-	335,448	-	-	12,324	-	347,772	-
Abroad								
BTG Pactual Holding S.A.R.L.	2,478,710	663,921	(87,080)	-	577,133	-	3,632,684	515,004
	4,633,385	1,512,605	(89,438)	-	362,558	(6,090)	6,413,020	176,716

(In thousands of reais)

(i) Note 1.
(ii) Note 2.

17. Non-current Assets Held for Sale and Discontinued Operations

According to the accounting practices presented in Notes 4j and 4w, Pan Seguros S.A. and Pan Corretora S.A. have fulfilled the requirements for presentation as non-current assets held for sale and BSI and Recovery have fulfilled the requirements for presentation as a discontinued operation.

Discontinued Operations

BSI's statements of income, as well as the balance sheet and the cash flow statements, as of December 31, 2015, are presented on the tables below. They were also presented in single accounts (separated by assets), in the consolidated statements of income, consolidated balance sheet and in the consolidated statements of cash flows.

(i) BSI

The amounts presented in the table below can be different from the consolidated financial statements of BSI prepared in accordance with IFRS in accordance with measurement criteria, including those resulting from the purchase price allocation of identifiable assets and liabilities, not completed at the date the Bank's financial statements.

Balance Sheet

	31/12/2015
Assets	
cash and cash equivalents	17,030,832
Amounts receivable from banks	11,427,903
Financial assets held for trading	10,948,570
Derivative financial instruments	1,206,835
Loans and receivables	44,287,433
Other assets	3,096,011
Investment in associates and jointly controlled entities	91,052
Property, plant and equipment	586,265
Intangible assets	231,498
Total assets	**88,906,399**
Liabilities	
Financial liabilities carried at amortized cost	70,614,797
Derivative financial instruments	1,404,916
Other liabilities	12,341,234
Total liabilities	84,360,947
Shareholders' equity	**4,545,452**
Total liabilities	**88,906,399**

(In thousands of reais)

Income Statement

	2015
Interest income	309,973
Interest expense	(59,456)
Net interest income/(expenses)	**250,517**
Net gains on financial instruments	34,117
Net exchange variations	34,785
Fees and commissions	666,549
Share of profit in associates and jointly controlled entities	28,013
Other operating income	105,472
Net revenues	**1,119,453**
Administrative expenses	(477,997)
Personnel expenses	(497,095)
Provisions for credit losses	15,214
Tax charges (other than income tax)	(16,684)
Income before taxes and profit sharing	**142,891**
Income tax and social contribution	(42,359)
Net income for the year	**100,532**

Cash Flow Statement

	2015
Operational assets and liabilities cash flows	(89,446)
Financing activities cash flows	(321,858)
Investing activities cash flows	77,258
Increase / (Decrease) in cash and cash equivalents	(334,046)

(ii) Recovery

As described in Note 2, the Bank affirmed a sale commitment of its full ownership in Recovery, by the total amount of R$1.2 billion, which represents its fair value in December 31, 2015.

Non-current Assets Held for Sale

The amount of the investments recognized in Pan Seguros S.A. and Pan Corretora S.A. corresponds to R$378,352. The Bank do not expect that Pan Seguros S.A. and Pan Corretora S.A. are going to be sold for less than such amount, which represents its carrying amount, therefore no impairment losses were expected as of December 31, 2015, the date of classification of the assets as held for sale.

(In thousands of reais)

18. Intangible assets and goodwill

	Changes in Intangible assets				
	2014	Acquisitions	Amortization expenses / derecognition	Exchange variation	2015
Goodwill	**483,824**	**-**	**(41,212)**	**121,794**	**564,406**
Cost	662,448	-	(2,808)	193,493	853,133
Impairment	(178,624)	-	(38,404)	(71,699)	(288,727)
Other intangible assets	**667,601**	**48,850**	**(52,954)**	**51,120**	**714,617**
Cost	539,146	48,850	(487)	61,279	648,788
Intangible BTG Pactual Chile	245,698	-	-	-	245,698
Amortization	(117,243)	-	(52,467)	(10,159)	(179,869)
	1,151,425	48,850	(94,166)	172,914	1,279,023

	Changes in Intangible assets				
	2013	Acquisitions	Amortization expenses / derecognition	Exchange variation	2014
Goodwill	**624,760**	**-**	**(137,230)**	**(3,706)**	**483,824**
Cost	721,675	-	-	(59,227)	662,448
Impairment	(96,915)	-	(137,230)	55,521	(178,624)
Other intangible assets	**613,087**	**93,858**	**(35,349)**	**(3,995)**	**667,601**
Cost	451,890	93,858	(149)	(6,453)	539,146
Intangible BTG Pactual Chile	245,698	-	-	-	245,698
Amortization	(84,501)	-	(35,200)	2,458	(117,243)
	1,237,847	93,858	(172,579)	(7,701)	1,151,425

The amortization periods for intangible assets not originated in business combinations are 5 years.

19. Tax Liabilities

The composition of this account is presented below:

	2015	2014
Deferred:		
Deferred social contribution and income tax	443,941	503,195
Deferred PIS and COFINS	70,649	96,783
Current:		
Tax and contributions to be collected	211,729	144,765
Tax and contribution payable	1,277,852	346,845
Suspended-payment taxes and others tax liabilities (note 21)	1,483,735	1,398,983
	3,487,906	2,490,571

(In thousands of reais)

20. Other Liabilities

The composition of this account is presented below:

	2015	2014
Cash from records and settlement	1,108,797	990,364
Debtors/creditors – pending settlement (i)	4,821,592	3,952,074
Liabilities for guarantees provided and other fees	-	362
Other securities trading and brokerage	763,051	-
Employees' profit sharing	1,002,030	448,710
Bonus payable	222,379	432,324
Provision for payables	600,715	450,214
Payable for acquisition of assets and rights (ii)	1,041,588	1,034,142
Provision for contingent liabilities	659,980	742,250
Allowance for guarantees	150,256	236,139
Payable collateral in physical commodities	5,209,221	-
Trade payables for commodities	1,141,893	-
Dividends and interest on equity	653,401	327,294
Others	98,345	225,513
	17,473,248	8,839,386

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.
(ii) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.)

21. 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, whenever necessary. Management's judgment is based on the opinion of its external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at 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 accrued 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 unfavorable outcome (pain and suffering and pecuniary injury, among others requesting condemning judgments), contingency amounts are accrued based on the opinion of internal and external legal counsel.

(In thousands of reais)

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 counsel and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions in the year

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recognized for such proceedings at December 31, 2015 are appropriate to cover any 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 period	1,398,983	702,372	39,878	2,141,233	792,487
Recognition	214,679	282,525	26,409	523,613	265,911
Alowances from companies acquired (i)	-	-	-	-	1,532,802
Write-off	(129,927)	(354,413)	(36,791)	(521,131)	(449,967)
Balance at the end of the period	1,483,735	630,484	29,496	2,143,715	2,141,233
Suspended-payment taxes and other taxes contingencies				1,483,735	1,398,983
Provision for contingent liabilities				659,980	742,250

(i) Allowance generated from the acquisition of Banco Sistema S.A.

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 18)

The Bank 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 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, 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, Cofins, income tax and social contribution 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.

22. 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:

(In thousands of reais)

Income tax and social contribution	2015	2014
Tax base	(4,280,543)	1,186,014
Income before taxes	(3,365,789)	1,786,014
Interest on equity	(914,754)	(600,000)
Total charge of income tax and social contribution at the current rates	932,108	(474,406)
Permanent (additions) / deductions in taxation calculation	141,827	39,295
Equity in the earnings of subsidiaries and associated companies in Brazil	(182,176)	42,844
Foreign earnings	137,903	439,751
Gains on foreign gains	(203,245)	(284,218)
Other Permanent (additions) / deductions	389,345	(159,082)
Temporary (additions) / deductions on the taxation calculation	(3,153,557)	(279,949)
Reversal of provision for goodwill on the acquisition of investments	213,110	189,000
Interest on equity	119,280	(119,280)
Marked-to-market evaluation of securities and derivatives	(3,055,211)	(40,151)
Allowance for loan losses	(440,018)	(208,580)
Tax contingencies and provision for suspended-payment taxes	13,763	(14,585)
Reversal of provision on investment	-	26,120
Other provisions	(4,481)	(112,473)
Increase in CSLL - 5%	401,654	-
Offset of tax loss carry forwards - current and deferred liability - Brazil	(27,832)	(226,078)
Current tax expense and social contribution	(1,705,800)	(941,138)
Temporary differences		
Recognition / (reversal) of the period	3,165,564	301,471
Recognition of loss on investment abroad	396,533	528,085
Recognition of tax loss carry forward	314,281	219,136
Offset of tax loss carry forwards - Abroad	545,025	7,580
Increase in CSLL - 5% - prior periods	565,090	-
(Expenses) / revenues from deferred taxes	4,986,493	1,056,272
Total revenues / (expenses)	3,280,693	115,134

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	2014	Recognition	Realization	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	381,675	528,889	(165,981)	744,583
Marked-to-market evaluation of securities and derivatives	301,640	15,157,294	(12,172,935)	3,285,999
Interest on equity	267,505	-	(129,310)	138,195
Effect of interest rate	68,013	-	(68,013)	-
Tax contingencies and provision for suspended-payment taxes	213,913	-	(30,069)	183,844
Other temporary differences	172,838	527,626	(14,610)	685,854
Tax increase effect - 5% CSLL	-	305,558	-	305,558
	1,764,820	17,141,367	(12,757,681)	6,148,506
Reflected on stockholder's equity				
Marked-to-market evaluation of securities and derivatives	-	14,045	-	14,045
Others	-	107,160	-	107,160
	1,937,658	18,095,756	(12,772,291)	7,261,123

(In thousands of reais)

Income tax and social contribution	2013	Recognition	Realization	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	241,205	(32,625)	381,675
Marked-to-market evaluation of securities and derivatives	261,489	1,783,559	(1,743,408)	301,640
Interest on equity	409,028	-	(141,523)	267,505
Effect of interest rate	64,291	3,722	-	68,013
Tax contingencies and provision for suspended-payment taxes	199,328	14,585	-	213,913
Taxes on foreign gains (i)	-	-	-	-
Other temporary differences	89,405	157,303	(73,870)	172,838
	1,236,634	2,696,132	(2,167,946)	1,764,820

(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.
(iii) Changes above refers exclusiviley to income tax and social contribution deferred tax assets.

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
2015	2,199,516	315,946	2,515,462
2016	1,453,345	221,330	1,674,675
2017	1,453,345	266,847	1,720,192
2018 onwards	179,681	-	179,681
Total	5,285,887	804,123	6,090,010
Present value	3,970,759	604,288	4,575,047

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. (formely 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.

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 1, 2015. The Bank will wait for the conversion of MP 675/15 into Law for a more in-depth and conclusive analysis, since possible amendments to MP may be proposed by the National Congress.

23. Shareholders' equity

a. Capital

As at December 31, 2015, fully subscribed and paid in capital consists of 2,815,805,442 shares (December 31, 2014 – 2,714,902,212), of which 1,424,305,814 common shares (December 31, 2014 – 1,390,671,404), 575,649,224 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.

(In thousands of reais)

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 Assembly 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 Company without deliberation and board or shareholders meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Company 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 Company and (iii) conversion is in accordance with the Company'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 Company is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Company's shareholders' agreement.

The share movements on the years are presented below:

Banco BTG Pactual	Quantity			
		Preferred		
	Commom	Class A	Class B	Total
Outstanding at December 31, 2014	1,390,671,404	508,380,404	815,850,404	2,714,902,212
Outstanding at December 31, 2015	1,404,405,002	535,847,600	815,850,404	2,756,103,006

b. Treasury shares

During the year ended December 31, 2015, the Bank approved a share buyback program and cancellation, as described in Note 1.

c. Legal reserve

This reserve is established at the rate of 5% of net income for the exercise, before any other allocation, limited to 20% of the capital.

d. Statutory reserve

In outstanding with the bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of the capital.

(In thousands of reais)

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. Other comprehensive income

During the year ended December 31, 2015 comprises: (i) the fair value changes in the financial assets available for sale from jointly controlled entities totaling a negative R$4,170 (December 31, 2014 – R$4,247); (ii) the fair value changes in the financial assets available for sale totaling R$18,501 (December 31, 2014 – R$12,854) and; (iii) the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the Reais totaling R$5,109,634 (December 31, 2014 – R$1,066,423).

24. Earnings per share

Income per share basic and diluted is calculated dividing the net income by the weighted average shares outstanding during the year. In the year ended December 31, 2015 and 2014 there were no events that caused dilution.

	2015	2014
Net income	736,814	2,117,086
Weighted average per thousand ordinary shares outstanding for the year	1,401,882,874	1,390,671,404
Weighted average per thousand preferred shares outstanding for the year	1,346,653,748	1,324,230,808
Earnings per share – básic and diluted - R$		
Common shares	0.27	0.78
Preferred shares	0.27	0.78

(In thousands of reais)

25. Net interest income and net gains on financial instruments

a. Net interest income

Interest revenues	2015	2014
Other loans and receivables	3,112,375	2,282,836
Open market funding and held-to-maturity financial assets	4,562,674	4,412,282
Income from compulsory investments in Brazilian Central Bank	126,341	26,051
	7,801,390	6,721,169

Interest expense	2015	2014
Open market funding	(5,248,904)	(4,640,003)
Time deposits	(639,383)	(841,256)
Interbank deposit	(708,106)	(358,844)
Notes issued	(2,386,208)	(1,699,101)
Borrowings and loans	(5,702,820)	(1,878,769)
	(14,685,421)	(9,417,973)

b. Net gains on financial instruments

	2015	2014
Derivatives	2,491,219	2,182,237
Financial assets at fair value through profit and loss	1,492,420	1,805,242
	3,983,639	3,987,479

26. Fees and commissions

	2015	2014
Management and performance fee from investment funds and portfolios	1,550,623	1,562,961
Brokerage	192,566	197,122
Technical services	621,481	707,478
Commission on the placement of securities	221,402	214,554
Guarantees	235,395	165,925
Other services	46,977	90,139
	2,868,444	2,938,179

(In thousands of reais)

27. Other operating income / (expenses)

	2015	2014
Adjustment to inflation of court deposits	299,304	154,244
Credit recovery	-	6,324
Reversal of allowances - other	117,720	169,096
Reversal of provision - contingencies (ii)	562,192	-
Recovery of charges and expenses	17,447	-
Expenses with taxes adjusted for inflation	(175,364)	(46,820)
Reimbursement of clients	(5,327)	(2,874)
Discounts granted in renegotiation	(303,727)	-
Adjustment of amounts payable for acquisition of assets (i)	(247,009)	(68,843)
Foreign exchange	61,025	60,721
Fair value of investment properties	-	42,753
Net expenses of phisycal commodities	(272,766)	-
Earnings in sale of investments	3,044,625	-
Other provisiom	(96,224)	(82,087)
Other income	(490,736)	(13,232)
	2,511,160	219,282

(i) Refers to amounts payable for acquisition of assets (mainly Banco Pan S.A. and Banco Sistema S.A.).
(ii) Refers mainly to the reversal of contingencies as described on footnote 20.

28. Other administrative expenses

	2015	2014
Outsourced services and consulting	(486,679)	(547,380)
Telecommunications and data processing	(366,165)	(264,847)
Leases and condominiums	(133,997)	(106,337)
Travel and lodging	(106,694)	(88,271)
Expenses of the financial system	(328,943)	(77,047)
Advertising and Public Relations	(51,060)	(52,019)
Depreciation and amortization	(100,937)	(48,919)
Other	(111,973)	(142,302)
	(1,686,448)	(1,327,122)

29. Personnel Expenses

	2015	2014
Direct compensation	(1,594,468)	(1,629,203)
Benefits	(955,976)	(97,240)
Charges	(175,768)	(96,056)
Other personnel expenses	(7,491)	(25,902)
	(2,733,703)	(1,848,401)

(In thousands of reais)

30. 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, carried at arm’s length, are reflected in the following accounts:

			Assets/Liabilities		Revenues/Expenses	
	Relationship	**Maturity**	**31/12/2015**	**31/12/2014**	**31/12/2015**	**31/12/2014**
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 Related	No maturity	171,970	65,037	38,577	32,617
- BTG Absolute Return Master Fund II	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	No maturity	-	(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)	-

(i) Subsidiaries of BTG Pactual Participations Ltd.
(ii) Subsidiaries of BTG MB Investments, LP.

As of December 31, 2015, transactions with related parties have no guarantees given and received. Additionally, the Bank did not record any allowance or provision for doubtful debts for the year ended December 31, 2015 and 2014.

Total compensation paid to key management personnel totaling this period R$69,930 (December 31, 2014 – R$46,316) which is considered short term benefit.

(In thousands of reais)

31. Other information

a. Deposits

The interbank deposits and time deposits issued at market rates had the following weighted average maturities:

	2015	2014
Interbank deposits	892	315
Time deposits	519	423

b. Cash and cash equivalents

	2015	2014
Cash and balances at Central Bank	5,054,877	1,585,254
Amounts receivable from banks		
Interbank deposits	327,742	2,518,500
Overnight investments	3,533,062	1,962,399
Open market investments	5,079,218	16,356,157
Balances at the end of	13,994,899	22,422,310

c. Commitments and responsibilities

The Bank and its subsidiaries' main commitments and responsibilities are as follows:

	2015	
Co-obligation and risks for guarantees granted	12,650,452	11,834,916
Responsibility for the management of futures and investment portfolio (i)	238,400,200	213,884,308
Securities	24,802,417	-
Securities under custody	1,098,395,088	222,719,863
Securities trading and brokerage	1,720,204,370	1,938,364,154
Loans contract to release	711,075	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

The item "Co-obligations and risks for guarantees granted" mainly comprises guarantees granted or assets allocated to exchange trading securities.

The item "Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

The item "Securities trading and brokerage" represents amounts from derivatives purchase and sale agreements related to third-party transactions.

The item "Loans contracted to release" register amounts related to loans contracted with clients to release.

The item "Commitments to be released" register amounts related to the financial commitments of the Bank with its investees.

(In thousands of reais)

d. Statement of Value Added

Although not required by IFRS, the statement of Value Added below is a complementary information to comply with regulatory requirements issued by CVM.

	7/7/1905	7/6/1905
Income	17,167,123	14,815,598
Financial brokerage	3,983,639	3,987,479
Services rendered	7,801,390	6,721,169
Allowance for loan losses and other receivables	(585,747)	(467,853)
Other	5,967,841	4,574,803
Expenses	(14,685,421)	(9,417,973)
Financial brokerage	(14,685,421)	(9,417,973)
Inputs acquired from third parties	(1,392,252)	(1,186,481)
Materials, energy and other	(18,856)	(13,039)
Outsourced services	(1,373,396)	(1,173,442)
Gross value added	1,089,450	4,211,144
Depreciation and amortization	(42,832)	(84,268)
Net value added produced by the entity	1,046,618	4,126,876
Value added received through transfer	(522,971)	362,558
Equity in the earnings of associated companies	(522,971)	362,558
Value added to be distributed	523,647	4,489,434
Distribution of value added	523,647	4,489,434
Personnel	2,733,703	1,848,401
Direct compensation	2,469,532	1,655,105
Benefits	133,828	192,206
FGTS – government severance pay fund	130,343	1,090
Taxes, fees and contributions	(2,907,634)	211,935
Federal	(3,143,720)	125,484
Municipal	236,086	86,451
Remuneration of third party capital	121,560	96,074
Rent expenses	121,560	96,074
Remuneration of shareholders	576,018	2,333,024
Interest on equity	914,754	600,000
Dividends	47,324	146,639
Retained earnings	(225,264)	1,370,447
Non-controlling interest	(160,796)	215,938

32. Subsequent events

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 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.

On February 17, 2015, the sale transaction of Recovery, described in Note 2, were approved by Conselho Administrativo de Defesa Econômica (CADE).

On February 22, 2016, the Bank has entered into a definitive agreement under which EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland and listed on the SIX Swiss Exchange, will acquire BSI in a cash and stock transaction.

On February 29, 2016, last reporting date to BACEN, the short-term liquidity KPI was equivalent to 144% for the Prudential Conglomerate.