

Consolidated Financial Statements

Banco BTG Pactual S.A. and subsidiaries

March 31, 2017

with independent auditor's limited review report

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

March 31, 2017

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A free translation from Portuguese into English of the independent auditor's review report on interim consolidated financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent auditor's review report

To the Shareholders and Management of
Banco BTG Pactual S.A. and subsidiaries

Introduction

We have reviewed the interim consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries ("Bank") for the three-month period ended March 31, 2017, which comprise the consolidated balance sheet as of March 31, 2017 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated financial statement based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements referred above have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Emphasis of matter

As of March 31, 2017, the jointly controlled subsidiary Banco Pan S.A., has deferred tax assets recorded on its balance sheet amounting to R\$3.3 billion, recognized based on long-term deferred tax realization projection. This deferred tax realization 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 6, 2017, which 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 achievement of these projections and business plan as approved by the management bodies of Banco Pan S.A. Our conclusion is not qualified in respect of this matter.

Other matters

Consolidated Statement of value added


We have also reviewed the consolidated statement of value added, for the three-month period ended at March 31, 2017, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. This consolidated statement has been subject to the same review procedures previously described, and based on our review nothing has come to our attention that causes us to believe that the statement of value added is not fairly presented, in all material respects, in relation to the overall interim consolidated financial statements.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the three-month period ended at March 31, 2017 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 independent auditor's review report on this same date.

São Paulo, May 9, 2017.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP 015.199/O-6



Flávio Serpejante Peppe
Accountant CRC – 1SP 172.167/O-6

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at March, 31, 2017 and December 31, 2016

(In thousands of reais)

| | Note | 31/03/2017 | 31/12/2016 |
|---|------|-------------|-------------|
| Assets | | | |
| Current assets | | 91,223,060 | 83,553,280 |
| Cash at banks | 6 | 899,681 | 674,114 |
| Short-term interbank investments | 7 | 26,190,318 | 20,752,635 |
| Open market investments | | 23,859,034 | 18,810,059 |
| Interbank deposits | | 2,331,284 | 1,942,576 |
| Securities and derivative financial instruments | | 33,819,214 | 33,304,289 |
| Own portfolio | 8 | 10,220,716 | 12,887,902 |
| Subject to repurchase agreements | 8 | 8,343,912 | 6,385,653 |
| Subject to unrestricted repurchase agreements | 8 | 207,385 | 185,449 |
| Derivative financial instruments | 9 | 13,147,826 | 10,897,355 |
| Subject to guarantees | 8 | 1,899,375 | 2,947,930 |
| Interbank transactions | | 1,757,931 | 1,962,962 |
| Deposits in the Central Bank of Brazil | | 1,734,320 | 1,962,962 |
| Restricted credits – National Housing System | | 23,611 | - |
| Loans | 10 | 3,609,376 | 3,634,223 |
| Loans | | 4,038,204 | 4,003,998 |
| Transferred loans with coobligation | | 444,746 | 12,848 |
| Allowance for loan losses | | (873,574) | (382,623) |
| Other receivables | | 24,918,081 | 23,156,354 |
| Foreign exchange portfolio | 11 | 15,236,125 | 14,686,453 |
| Income receivable | 12 | 877,509 | 688,728 |
| Securities trading and brokerage | 11 | 3,199,669 | 2,790,923 |
| Sundry | 12 | 5,703,936 | 5,149,017 |
| Allowance for losses on other receivables | 10 | (99,158) | (147,767) |
| Other assets | | 28,459 | 68,703 |
| Other assets | | 1,726 | 1,727 |
| Prepaid expenses | | 58,346 | 66,976 |
| Provision for losses | | (31,613) | - |
| Long-term-assets | | 26,145,229 | 19,577,416 |
| Long-term interbank investments | 7 | - | 48 |
| Open market investments | | - | 48 |
| Securities and derivative financial instruments | | 10,981,677 | 4,181,932 |
| Own portfolio | 8 | 4,436,785 | 496,085 |
| Derivative financial instruments | 9 | 3,912,408 | 1,012,968 |
| Subject to repurchase agreements | 8 | 695,516 | 778,640 |
| Subject to guarantees | 8 | 1,936,968 | 1,894,239 |
| Interbank transactions | | 238,766 | 272,357 |
| Restricted credits – National Housing System | | 238,766 | 272,357 |
| Loans | 10 | 6,553,338 | 5,879,135 |
| Loans | | 6,738,621 | 6,076,828 |
| Allowance for loan losses | | (185,283) | (197,693) |
| Other receivables | | 8,177,455 | 9,159,107 |
| Income receivable | 12 | 132,921 | 192,477 |
| Sundry | 12 | 8,096,860 | 8,968,038 |
| Allowance for losses on other receivables | 10 | (52,326) | (1,408) |
| Other assets | | 193,993 | 84,837 |
| Temporary investments | | 52,149 | 52,149 |
| Other assets | | 150,116 | 62,576 |
| Prepaid expenses | | 33,945 | 15,211 |
| Provision for losses | | (42,217) | (45,099) |
| Permanent assets | | 7,802,212 | 8,640,861 |
| Investments | | 7,392,150 | 8,167,843 |
| Investments in associates and jointly controlled entities - in Brazil | 13 | 1,621,992 | 1,613,057 |
| Investments in associates and jointly controlled entities - abroad | 13 | 5,754,783 | 6,539,084 |
| Other investments | | 18,873 | 19,200 |
| Allowance for losses | | (3,498) | (3,498) |
| Property and equipment in use | | 87,337 | 92,688 |
| Property in use | | 4,947 | 4,930 |
| Other property and equipment in use | | 245,063 | 245,955 |
| Accumulated depreciation | | (162,673) | (158,197) |
| Deferred charges | | - | 13,595 |
| Amortization and expansion costs | | - | 63,842 |
| Accumulated amortization | | - | (50,247) |
| Intangible assets | 14 | 322,725 | 366,735 |
| Other intangible assets | | 1,350,693 | 1,300,456 |
| Accumulated amortization | | (1,027,968) | (933,721) |
| Total assets | | 125,170,501 | 111,771,557 |

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at March, 31, 2017 and December 31, 2016

(In thousands of reais)

| | Note | 31/03/2017 | 31/12/2016 |
|--|------|-------------|-------------|
| Liabilities | | | |
| Current liabilities | | 78,736,613 | 70,059,411 |
| Deposits | 15 | 7,941,890 | 7,529,145 |
| Demand deposits | | 132,629 | 128,552 |
| Interbank deposits | | 274,662 | 171,806 |
| Time deposits | | 7,534,599 | 7,228,787 |
| Open market funding | 15 | 30,712,502 | 24,083,428 |
| Own portfolio | | 9,627,524 | 7,687,107 |
| Third-party portfolio | | 18,455,209 | 12,967,472 |
| Free trading portfolio | | 2,629,769 | 3,428,849 |
| Funds from securities issued and accepted | 15 | 4,248,095 | 5,627,207 |
| Real estate, mortgage, credit and similar notes | | 3,860,219 | 5,273,282 |
| Securities issued abroad | | 369,518 | 342,252 |
| Certificates of structured transactions | | 18,358 | 11,673 |
| Interbank transactions | | 6,585 | 5,060 |
| Unsettled receipts and payments | | 6,585 | 5,060 |
| Interdependencies transactions | | 36,646 | 82,602 |
| Unsettled third party assets | | 36,646 | 82,602 |
| Loans and onlending | 15 | 1,140,406 | 999,606 |
| Loans abroad | | 897,085 | 768,480 |
| Loans in Brazil | | 169,450 | 163,771 |
| Onlending in Brazil | | 73,871 | 67,355 |
| Derivative financial instruments | 9 | 11,509,947 | 8,430,235 |
| Derivative financial instruments | | 11,509,947 | 8,430,235 |
| Other liabilities | | 23,140,542 | 23,302,128 |
| Collection and payments of tax and similar charges | | 3,972 | 3,889 |
| Foreign exchange portfolio | 11 | 14,709,851 | 14,341,764 |
| Social and statutory | 16 | 297,973 | 1,457,553 |
| Tax and social security | 16 | 347,605 | 326,911 |
| Securities trading and brokerage | 11 | 5,725,982 | 4,101,958 |
| Subordinated debt | 15 | 1,255,469 | 1,239,548 |
| Sundry | 16 | 799,690 | 1,830,505 |
| Long-term liabilities | | 27,825,511 | 23,717,671 |
| Deposits | 15 | 820,824 | 161,672 |
| Interbank deposits | | 45,185 | 54,329 |
| Time deposits | | 775,639 | 107,343 |
| Open market funding | 15 | 896,370 | 820,545 |
| Own portfolio | | | 105,979 |
| Free trading portfolio | | 896,370 | 714,566 |
| Funds from securities issued and accepted | 15 | 4,697,506 | 4,708,495 |
| Real estate, mortgage, credit and similar notes | | 2,600,251 | 2,556,676 |
| Securities issued abroad | | 2,048,376 | 2,151,819 |
| Certificates of structured transactions | | 48,879 | - |
| Loans and onlending | 15 | 2,577,923 | 2,545,216 |
| Onlending in Brazil | | 2,577,923 | 2,545,216 |
| Derivative financial instruments | 9 | 3,687,758 | 1,214,642 |
| Derivative financial instruments | | 3,687,758 | 1,214,642 |
| Other liabilities | | 15,145,130 | 14,267,101 |
| Tax and social security | 16 | 1,799,854 | 1,761,296 |
| Subordinated debt | 15 | 6,040,537 | 6,043,442 |
| Debt instrument eligible to capital | 15 | 4,104,182 | 4,305,202 |
| Sundry | 16 | 3,200,557 | 2,157,161 |
| Deferred income | | 136,972 | 141,783 |
| Non-controlling interest | | 133,574 | 125,473 |
| Shareholders' equity | 19 | 18,337,831 | 17,727,219 |
| Capital - domiciled in Brazil | | 4,727,289 | 4,727,289 |
| Capital - domiciled Abroad | | 2,493,237 | 2,493,237 |
| Capital Reserve | | 652,515 | 652,515 |
| Asset valuation adjustment | | 28,131 | 39,756 |
| Income reserves | | 9,885,256 | 9,885,256 |
| Treasury shares | | (174,888) | (70,834) |
| Retained earnings | | 726,291 | - |
| Total Liabilities and Shareholders' equity | | 125,170,501 | 111,771,557 |

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income

Quarters ended March 31

(In thousands of reais, except net income per share)

| | Note | 31/03/2017 | 31/03/2016 |
|---|------|---------------|---------------|
| Financial income | | 2,998,059 | 4,544,954 |
| Loans | | 453,817 | 695,977 |
| Securities | | 1,842,510 | 881,197 |
| Derivative financial instruments | | 228,035 | 2,296,356 |
| Foreign Exchange | | 420,064 | 620,612 |
| Mandatory investments | | 53,633 | 50,812 |
| Financial expenses | | (1,735,705) | (1,748,535) |
| Funding operations | | (1,669,450) | (2,139,722) |
| Borrowing and onlending | | 45,117 | 522,527 |
| Allowance for loan losses and other receivables | 10 | (111,372) | (131,340) |
| Net financial income | | 1,262,354 | 2,796,419 |
| Other operating expenses | | (51,742) | (1,242,078) |
| Income from services rendered | 20 | 423,093 | 835,852 |
| Personnel expenses | | (154,759) | (636,852) |
| Other administrative expenses | 23 | (233,689) | (652,479) |
| Tax charges | | (97,982) | (179,987) |
| Equity earnings of associates and jointly controlled entities | 13 | 69,249 | (580,081) |
| Other operating income | 21 | 221,179 | 443,344 |
| Other operating expenses | 22 | (278,833) | (471,875) |
| Operating income / (expenses) | | 1,210,612 | 1,554,341 |
| Non-operating (expenses) / income | 24 | (28,964) | 440,731 |
| Income before taxation and profit sharing | | 1,181,648 | 1,995,072 |
| Income tax and social contribution | 18 | (276,554) | (595,919) |
| Provision for income tax | | 35,987 | (265,279) |
| Provision for social contribution | | (57,717) | (128,907) |
| Deferred income tax and social contribution | | (254,824) | (201,733) |
| Statutory profit sharing | | (189,372) | (396,334) |
| Non-controlling interest | | 4,345 | 5,691 |
| Net income for the quarter | | 720,067 | 1,008,510 |
| Interest on equity | 19 | 6,224 | - |
| Weighted average numbers of share outstanding | | 2,778,465,411 | 2,726,543,451 |
| Net income per share - R\$ | | 0.26 | 0.37 |

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

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders' equity – parent company

Quarters ended March 31

(In thousands of reais, except for dividends and interest on equity per share)

| | | Income reserves | | | | | | | | | | |
|---|------|------------------|-----------------|--------------------------|------------------|------------------|------------------|-------------------|----------------------------|------------------|-------------------|-------------------|
| | Note | Capital | Capital reserve | Special earnings reserve | Legal | Unrealized | Statutory | Total | Asset valuation adjustment | Treasury shares | Retained earnings | Total |
| Balances as at December 31, 2015 | | 7,180,526 | - | - | 907,770 | 5,389,109 | 6,170,174 | 12,467,053 | 143,614 | (132,394) | - | 19,658,799 |
| Own shares acquired | 1 | - | - | - | - | - | - | - | - | (230,035) | - | (230,035) |
| Cancellation of treasury shares | 1 | - | - | - | - | - | (231,906) | (231,906) | - | 231,906 | - | - |
| Changes in fair value of assets available for sale | | - | - | - | - | - | - | - | (89,363) | - | - | (89,363) |
| Changes in fair value of assets available for sale - jointly controlled | 13 | - | - | - | - | - | - | - | (1,149) | - | - | (1,149) |
| Interest on equity (R\$0.08 per share) | | - | - | 230,000 | - | - | (230,000) | - | - | - | - | - |
| Net income for the quarter | | - | - | - | - | - | - | - | - | - | 1,008,510 | 1,008,510 |
| Balances as at March 31, 2016 | | <u>7,180,526</u> | <u>-</u> | <u>230,000</u> | <u>907,770</u> | <u>5,389,109</u> | <u>5,708,268</u> | <u>12,235,147</u> | <u>53,102</u> | <u>(130,523)</u> | <u>1,008,510</u> | <u>20,346,762</u> |
| Balances as at December 31, 2016 | | 7,220,526 | 652,515 | - | 1,078,199 | 3,236,533 | 5,516,059 | 9,830,791 | 39,756 | (70,834) | - | 17,672,754 |
| Own shares acquired | 1 | - | - | - | - | - | - | - | - | (104,054) | - | (104,054) |
| Interest on equity received by on shares repurchase | | - | - | - | - | - | - | - | - | - | 6,224 | 6,224 |
| Changes in fair value of assets available for sale | | - | - | - | - | - | - | - | (3,339) | - | - | (3,339) |
| Changes in fair value of assets available for sale - jointly controlled | 13 | - | - | - | - | - | - | - | 1,350 | - | - | 1,350 |
| Currency translation adjustments | | - | - | - | - | - | - | - | (162,202) | - | - | (162,202) |
| Foreign Investment hedge | | - | - | - | - | - | - | - | 152,566 | - | - | 152,566 |
| Interest on equity (R\$0.12 per share) | 19 | - | - | 332,000 | - | - | (332,000) | - | - | - | - | - |
| Net income for the quarter | | - | - | - | - | - | - | - | - | - | 720,067 | 720,067 |
| Balances as at March 31, 2017 | | <u>7,220,526</u> | <u>652,515</u> | <u>332,000</u> | <u>1,078,199</u> | <u>3,236,533</u> | <u>5,184,059</u> | <u>9,830,791</u> | <u>28,131</u> | <u>(174,888)</u> | <u>726,291</u> | <u>18,283,366</u> |

Reconciliation of net income and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19(h).

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows

Quarters ended March 31

(In thousands of reais)

| | Note | 31/03/2017 | 31/03/2016 |
|--|------|-------------|--------------|
| Operating activities | | | |
| Net income for the quarter | | 720,067 | 1,008,510 |
| Adjustments to net income | | 687,077 | 1,780,340 |
| Equity pick up from associates and jointly controlled entities | 13 | (69,249) | 580,081 |
| Interest expense with subordinated debt | | 430,202 | 836,710 |
| Deferred income tax and social contribution | | 254,824 | 201,733 |
| Goodwill amortization | 22 | 41,000 | 44,012 |
| Goodwill exchange variation | 14 | 7,124 | 36,653 |
| Interest on equity received by own shares repurchase | | 6,224 | - |
| Permanent assets exchange variation | | 529 | 40,910 |
| Depreciation and amortization | 23 | 16,423 | 40,241 |
| Adjusted net income for the quarter | | 1,407,144 | 2,788,850 |
| (Increase)/decrease in operational activities | | | |
| Short-term interbank investments | | 1,284,603 | 457,755 |
| Securities and derivative financial instruments | | (1,633,910) | 32,617 |
| Loans | | (649,355) | 5,444,132 |
| Other receivables and other assets | | (1,040,287) | 8,529,625 |
| Interbank transactions | | 240,147 | 65,591 |
| Interdependencies transactions | | (45,956) | - |
| Other liabilities | | 1,794,446 | (3,384,350) |
| Deferred income | | (4,811) | (135,448) |
| Deposits | | 1,071,897 | (11,230,652) |
| Open market funding | | 6,704,899 | (2,855,770) |
| Loans and onlending | | 173,507 | 195,294 |
| Cash provided by / (used in) by operating activities | | 9,302,324 | (92,356) |
| Investing activities | | | |
| Sale of other investment | | 327 | 1,138 |
| Sale of investments | 13 | - | 54,301 |
| Acquisition of equity interests | 13 | 641,535 | (946) |
| Dividends and interest on equity received | 13 | - | 700 |
| Acquisition of property and deferred charges | | (199) | (43,904) |
| Sale of property and deferred charges | | 46 | 1,463 |
| Acquisition of intangible assets | | (4,807) | (2,596) |
| Sale of intangible assets | | 2,840 | 39,878 |
| Cash provided by investing activities | | 639,742 | 50,034 |
| Financing activities | | | |
| Acquisition of treasury shares | | (104,054) | (230,035) |
| Funds from securities issued and accepted | | (1,390,101) | (2,500,852) |
| Subordinated debt and debt instrument eligible to equity | | (618,207) | (1,523,460) |
| Non-controlling interest | | 8,101 | (71,364) |
| Interest on equity | 19 | (890,000) | - |
| Cash (used in) financing activities | | (2,994,261) | (4,325,711) |
| Increase / (decrease) in cash and cash equivalents | | 6,947,805 | (4,368,033) |
| Balance of cash and cash equivalents | 25 | | |
| At the beginning of the quarter | | 13,973,748 | 38,429,340 |
| At the end of the quarter | | 20,921,553 | 34,061,307 |
| Increase / (decrease) in cash and cash equivalents | | 6,947,805 | (4,368,033) |
| Non-cash transaction | | | |
| Dividends and interest on equity receivable | | 63,523 | - |
| Acquisition of intangible assets | | - | (797,541) |
| Debentures converted on shares | | 12,294 | - |
| Changes in fair value of assets available for sale | | (3,339) | (89,363) |

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

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of value added

Quarters ended March 31

(In thousands of reais)

| | 31/03/2017 | 31/03/2016 |
|--|-------------|-------------|
| Income | 3,223,162 | 5,661,666 |
| Financial brokerage | 2,998,059 | 4,544,954 |
| Services rendered | 423,093 | 835,852 |
| Allowance for loan losses and other receivables | (111,372) | (131,340) |
| Other | (86,618) | 412,200 |
| Expenses | (1,624,333) | (1,617,195) |
| Financial brokerage | (1,624,333) | (1,617,195) |
| Inputs acquired from third parties | (197,100) | (522,201) |
| Materials, energy and other | (2,655) | (5,173) |
| Outsourced services | (194,445) | (517,028) |
| Gross value added | 1,401,729 | 3,522,270 |
| Depreciation and amortization | (16,423) | (79,287) |
| Net value added produced by the entity | 1,385,306 | 3,442,983 |
| Value added received through transfer | 69,249 | (580,081) |
| Equity in the earnings of associates and jointly controlled entities | 69,249 | (580,081) |
| Value added to be distributed | 1,454,555 | 2,862,902 |
| Distribution of value added | 1,454,555 | 2,862,902 |
| Personnel | 344,131 | 1,033,186 |
| Direct compensation | 303,139 | 894,035 |
| Benefits | 22,037 | 69,008 |
| FGTS – government severance pay fund | 18,955 | 70,143 |
| Taxes, fees and contributions | 374,536 | 775,906 |
| Federal | 354,153 | 740,389 |
| Municipal | 20,383 | 35,517 |
| Remuneration of third party capital | 20,166 | 50,991 |
| Rent expenses | 20,166 | 50,991 |
| Remuneration of shareholders | 715,722 | 1,002,819 |
| Retained earnings | 713,843 | 1,008,510 |
| Interest on equity | 6,224 | - |
| Non-controlling interest | (4,345) | (5,691) |

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements

March 31, 2017

(In thousands of reais, except otherwise indicated)

1. Operations

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, investment portfolios, credit, financing and investment, leasing and real estate loans.

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 (the "Companies") have units listing on NYSE Euronext in Amsterdam and BM&F BOVESPA in São Paulo. Each unit issued, corresponds to 1 common share and 2 preferred shares, class A, of Bank and 1 common share, class A, and 2 preferred shares, class B of BTG Pactual Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

BTG Pactual concluded its strategic plan to improve liquidity and preserve capital; and it understands that the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of commodities as well as the cost reduction program, will bring it to levels of liquidity and capital better than its historical.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados (together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

On April 7, 2016, the Special Committee, assisted by the Legal Counsel, concluded their investigation and released their final report. Based on its investigation, Counsel found no basis to conclude that Mr. André Esteves, BTG Pactual or any of its personnel under investigation engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, the Brazilian Supreme Court authorized Mr. André Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

New unit programs

On February 14, 2017 the Board of Directors have approved two new unit programs, which units will be traded at BM&F BOVESPA, comprised exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the BBTG12 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by BTG Pactual Participations Ltd. Holders of the current units traded under the ticker symbol BBTG11 will be able to opt, should they wish to do so, to migrate all or part of their BBTG11 unit holdings toward the new BPAC11 and BBTG12 units.

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Units buyback Program

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 86,530,430 units have been repurchased in the total amount of R\$1,149,527 and 71,904,350 units had been canceled, in the amount of R\$974,639. On March 31, 2017, 14,626,080 units are held in treasury.

The consolidated financial statements were approved by Bank's management on May 9, 2017, and they contain a true and fair view of the development and results of the Bank. management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

2. Corporate reorganization and acquisitions

Corporate events

On January 2017, the shareholders of BTG Pactual and BTG Pactual Comercializadora Ltda. approved, without qualification, the merger of BTG Comercializadora by the Bank. The completion of the merger is subject to regulatory approvals.

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazilian energy trading desk from the operational structure of BTG Pactual and to rearrange the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners ("Engelhart CTP"). The Commodities Platform is operating separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. Up to five years after the completion of the separation, Engelhart CTP have the option to acquire its remaining equity interest held by the Bank for its equity value.

Further to the process of separation of its commodity trading activities, on October 13, 2016 the Bank informed its shareholders and the market in general that (i) 596,209,676 Class A shares of Engelhart CTP were delivered to the shareholders that elected to receive equity interest in Engelhart CTP against delivery to the Bank of 596,209,676 Class C Preferred Shares ("PNCs") that were allocated to such alternative, and (ii) 59,457,673 additional BBTG11 units were added, as at October 14, 2016, to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP. BTG Pactual is recognizing the remaining stake as an investment in an associate entity based on the equity method.

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During the quarter ended March 31, 2017, as part of the commodity trading activities separation process, Engelhart CTP acquired 1.21% (December 31, 2016 – 6.1%) of its own shares held by the Bank. The total consideration was US\$50 million (December 31, 2016 - US\$150 million) and the price was equivalent to Engelhart CTP's net asset accounting value.

As at September 2015, the restructuring process of Eneva S.A. ("Eneva") was completed. As a result, part of the loans held by the Bank were converted into interest in the company and the Bank has also contributed new assets in the company. As at March 31, 2017, the Bank has a stake equivalent to 36.7% (December 31, 2016 - 33.7%) of the total capital of Eneva.

Acquisitions and disposals

On March 15, 2017, BTG Pactual received a notification from EFG claiming purchase price adjustments under the documents for the sale of BSI, of approximately CHF278 million in favor of EFG International ("EFG"). After careful review of such proposed adjustments and based on available information as at this date, BTG Pactual, after taking into consideration the input from its advisers, refuted such amount and currently believes the appropriate adjustment on a risk-adjusted basis could be CHF95.7 million in favor of BTG Pactual. If parties cannot reach an agreement in a negotiation process, the differences will be resolved in due course through an independent expert process in accordance with the documents for the sale of BSI.

On November 1, 2016, BTG Pactual sold 100% of BSI to EFG, a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF340 million. EFG's stake were accounted for using the equity pick up method. BSI's purchase transaction and the subsequent sale are subject to price adjustments, or indemnity for non-compliance to the transaction, including the execution of the guarantees provided by EFG shares deposits of Bank property in related account. Obligations or rights will be recognized as their effects become quantifiable and probable. The bank does not expect's to incur any material losses on the sale transaction, any liabilities with material risks related to the BSI sale, is related to rights from BSI purchase.

On December, 2016, the bank repurchased one of its energy trading entity, which had been sold on October 30, 2015. The completion of the repurchase is subject to regulatory approvals and both transactions did not impact BTG Pactual's results.

On November 2016, BTG Pactual, together with its joint-venture partner, has entered into definitive agreements to sell 100% of the equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. BTG Pactual does not expect any material gain or loss arising from the transaction. On February 6, 2017, the sale transaction of Maybrooke equity interest was completed.

On November 2016, the Bank has entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of corporate loan portfolios. Additional information about the transaction is described on note 27.

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On February 2016, BSI sold its remaining equity interest, equivalent to 49%, in B-Source, a business process outsourcer ("BPO").

On April 20, 2016, BTG Pactual informed its shareholders and the market in general that on this date purchase and sale agreements were entered into, whereby CNP Assurances S.A. agreed to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R\$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of the transactions plus any dividends to be distributed to the their respective shareholders until the completion date, in accordance with the relevant agreements. On February 2, 2017 the bank announced that the aforementioned transaction will not be concluded because precedent conditions have not been met.

3. Presentation of the financial statements

The Bank's and its subsidiaries' financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the Conselho Monetário Nacional (CMN), BACEN and Securities and Exchange Commission (CVM), when applicable.

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to the institutions authorized to operate by BACEN, requires management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inherent inaccuracies to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

a. Consolidated financial statements

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and the portions of net income (loss) and shareholders' equity relating to non-controlling interest were included.

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities is recognized in investments.

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The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

| | | Equity interest - % | |
|---|------------|---------------------|------------|
| | Country | 31/03/2017 | 31/12/2016 |
| Direct subsidiaries | | | |
| BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários | Brazil | 99.99 | 99.99 |
| BTG Pactual Corretora de Títulos e Valores Mobiliários S.A. | Brazil | 99.99 | 99.99 |
| BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários | Brazil | 99.99 | 99.99 |
| BTG Pactual Holding Participações S.A. | Brazil | 99.99 | 99.99 |
| BTG Pactual Comercializadora de Energia Ltda. | Brazil | 99.90 | 99.90 |
| BTG Pactual Holding Internacional S.A. | Brazil | 99.99 | 99.99 |
| BTG Pactual Overseas Corporation | Cayman | 100.00 | 100.00 |
| BW Properties S.A. | Brazil | 71.28 | 71.28 |
| BTG Pactual Holding de Seguros Ltda. | Brazil | 99.99 | 99.99 |
| BTG Pactual S.A. Comisionista de Bolsa | Colombia | 99.70 | 99.70 |
| BTG Pactual TTG Participações S.A. | Brazil | 100.00 | 100.00 |
| Banco BTG Pactual Luxembourg S.A. | Luxembourg | 100.00 | 100.00 |
| BTG Pactual Corretora de Seguros Ltda. | Brazil | 100.00 | 100.00 |
| Banco Sistema S.A. | Brazil | 99.84 | 99.84 |
| Indirect subsidiaries | | | |
| BTG Pactual Gestora de Investimentos Alternativos Ltda. | Brazil | 99.98 | 99.98 |
| BTG Pactual WM Gestão de Recursos Ltda. | Brazil | 99.99 | 99.99 |
| BTG Pactual Gestora de Recursos Ltda. | Brazil | 99.99 | 99.99 |
| BTG Pactual Corporate Services Ltda. | Brazil | 99.99 | 99.99 |
| BTG Pactual Serviços Energéticos Ltda. | Brazil | 100.00 | 100.00 |
| BTG Pactual NY Corporation | USA | 100.00 | 100.00 |
| BTG Pactual Global Asset Management Limited | Bermuda | 100.00 | 100.00 |
| BTG Pactual Europe LLP | UK | 100.00 | 100.00 |
| BTG Pactual Asset Management US, LLC | USA | 100.00 | 100.00 |
| BTG Pactual US Capital, LLC | USA | 100.00 | 100.00 |
| BTG Pactual Asia Limited | Hong Kong | 100.00 | 100.00 |
| BTG Global Asset Management (UK) Limited | UK | 100.00 | 100.00 |
| BTG Pactual Resseguradora S.A. | Brazil | 100.00 | 100.00 |
| BTG Pactual Vida e Previdência S.A. | Brazil | 100.00 | 100.00 |
| Infra IX Empreendimentos e Participações S.A | Brazil | 100.00 | 100.00 |
| Banco BTG Pactual Chile S.A. | Chile | 100.00 | 100.00 |
| BTG Pactual Chile SPA | Chile | 100.00 | 100.00 |
| BTG Pactual Chile International Ltd. | Cayman | 100.00 | 100.00 |
| BTG Pactual Chile Capital S.A. | Chile | 100.00 | 100.00 |
| BTG Pactual Chile Capital S.A. Corredores de Bolsa | Chile | 100.00 | 100.00 |
| BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A | Chile | 100.00 | 100.00 |
| BTG Pactual Chile Capital S.A. Administradora General de Fondos | Chile | 100.00 | 100.00 |
| BTG Pactual Chile Servicios Financieros S.A. | Chile | 100.00 | 100.00 |
| Inmobiliaria BTG Pactual Chile Limitada | Chile | 100.00 | 100.00 |
| BTG Pactual Chile S.A. Administración de Activos | Chile | 100.00 | 100.00 |
| BTG Pactual Seguros de Vida | Chile | 100.00 | 100.00 |
| BTG Pactual Holding Delaware LLC | USA | 100.00 | 100.00 |
| BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa | Peru | 100.00 | 100.00 |
| BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion | Peru | 100.00 | 100.00 |
| BTG Pactual Perú S.A.C. | Peru | 100.00 | 100.00 |
| BTG Pactual Sociedad Fiduciaria (Colômbia) S.A. | Colombia | 94.50 | 94.50 |
| Laurel Sociedad Gestora Profissional S.A.S | Colombia | 100.00 | 100.00 |
| BTG Pactual E&P S.a.r.l. | Luxembourg | 100.00 | 100.00 |
| BTG Pactual Oil & Gas S.a.r.l. | Luxembourg | 100.00 | 100.00 |
| TTG Brasil Investimentos Florestais Ltda. | Brazil | 100.00 | 100.00 |
| BTG Pactual Timberland Investments Group LLC | USA | 100.00 | 100.00 |
| BTG Pactual Casa de Bolsa, S.A. de C.V. | Mexico | 100.00 | 100.00 |
| BSPE Participações e Empreendimentos S.A. | Brazil | 99.84 | 99.84 |
| Bastec Tecnologia e Serviços Ltda. | Brazil | 99.84 | 99.84 |
| BTG Pactual Corretora de Resseguros Ltda. | Brazil | 100.00 | 100.00 |
| BTG Pactual UK Holdco Limited | UK | 100.00 | 100.00 |
| BTGP-BSI LIMITED | UK | 100.00 | 100.00 |

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| | Country | Equity interest - % | |
|--|-----------|---------------------|------------|
| | | 31/03/2017 | 31/12/2016 |
| BTG Pactual Family Office S.A. de C.V. | Mexico | 100.00 | 100.00 |
| BTG Pactual Gestora de Fondos SA de CV Operadora de Fondos de Inversion | Mexico | 100.00 | 100.00 |
| Newco SEG Holding S.A. | Brazil | 100.00 | - |
| TTG Forestry Services LLC | USA | 100.00 | - |
| N.A.S.S.P.E Empreendimentos e Participacoes S.A. | Brazil | 100.00 | 100.00 |
| BTG Pactual Argentina S.A. | Argentina | 100.00 | 100.00 |
| Investment funds | | | |
| Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior | Brazil | 100.00 | 100.00 |
| BTG Pactual International Portfolio Fund SPC - CLASS C | Cayman | 100.00 | 100.00 |
| BTG Pactual Global Fund LP | Cayman | 100.00 | 100.00 |
| BTGP Latam Fund LLC | Cayman | 100.00 | 100.00 |
| BTG Pactual Oil & Gas FIQ FIP | Brazil | 100.00 | 100.00 |
| BTG Pactual Fundo de Investimento Imobiliário Ametista | Brazil | 100.00 | 100.00 |
| Warehouse Fundo de Investimento em Participação | Brazil | 100.00 | 100.00 |
| BTG Pactual Real Estate Fund Ltd | Cayman | 100.00 | 100.00 |
| BTG Pactual Absolute Return Master Fund | Cayman | 100.00 | 100.00 |
| BTG Pactual Intl Port Fund II SPC – Class Commodities | Cayman | 100.00 | 100.00 |
| FIDC NP Alternative Assets I | Brazil | 100.00 | 100.00 |

b. Functional currency

The items included in the Bank's and subsidiaries' financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R\$), which is the functional currency of the Bank. Assets and liabilities were translated into Reais using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate.

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian Real are translated as follows: (i) Assets and liabilities are translated at the closing rate at the balance sheet date. (ii) Income and expenses are translated at monthly average exchange rates. (iii) Equity in the earnings of subsidiaries abroad is recognized as follows: for those with functional currency equal to Real; Income for the period: for those with functional currency equal to Real: a) Income for the period; portion related to the subsidiary's effective income; and b) stockholders' equity: portion related to foreign exchange adjustments arising from the translation process, net of tax effects.

The effects of foreign exchange variations on investments abroad are distributed in the fair value adjustments.

4. Significant accounting practices

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

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a. Cash and cash equivalents

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

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

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

c. Securities

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

i. Trading securities

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

ii. Available for sale securities

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

iii. Held-to-maturity securities

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

According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

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d. Derivative financial instruments

These are classified according to management's intention, on the transaction date, considering whether such transactions are for hedge or not.

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

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

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss).
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in the statement of income.
- Net Investment Hedge of Foreign Operations - accounted for similarly to cash flow hedge, i.e. the portion of gains or losses on a hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity, and reclassified to income for the period in the event of the disposal of the foreign operation. The ineffective portion is recognized in income for the period.

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

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

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

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Assets and liabilities resulting from swap and non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in income (loss).

The notional amount of the agreements recorded in memorandum accounts.

f. Financial instruments – net presentation

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

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

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

h. Loans and other receivables (operations with credit characteristics)

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

i. Allowance for loan losses

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

- Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.
- Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.
- The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

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j. Investment property

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

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

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

k. Investments

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

l. Foreign currency translation

The financial statements of the Bank are presented in Brazilian Reais, which is its functional and presentation currency. For each subsidiary and investment in associates and joint ventures, the Bank defined the functional currency, as set forth in CMN's resolution nº 4.524. The assets and liabilities of subsidiaries with a functional currency other than the Brazilian Real are translated as follows: (i) Assets and liabilities are translated at the closing rate at the balance sheet date. (ii) Income and expenses are translated at monthly average exchange rates. (iii) Equity in the earnings of subsidiaries abroad is recognized as follows: For those with functional currency equal to Real; Profit or loss for the period: For those with functional currency equal to Real: a) Profit or loss for the period; Portion related to the subsidiary's effective income; and b) Stockholders' equity: Portion related to foreign exchange adjustments arising from the translation process, net of tax effects.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of foreign exchange results and exchange variations on transactions. For subsidiaries abroad with functional currency equal to Real, any operations carried out in a currency other than their respective functional currencies will be translated at the foreign currency rates of the respective trial balance or balance sheet of the Bank for monetary items, assets and liabilities recognized at fair or market value and for items not classified as monetary, provided that the subsidiary's functional currency is equal to the Real. For other cases, operations are translated at the foreign exchange rate at the transaction date.

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m. Goodwill and negative goodwill

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, is amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

n. Property and equipment in use and deferred charges

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

o. Intangible assets

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company; (ii) for acquired rights of assets management contracts; and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

p. Impairment on non-financial assets

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, it is recorded as loss in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the bigger of value in use or fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

q. Income tax and social contribution

The provisions for income tax and social contribution are recorded based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 20% for social contribution of financial institutions and 9% for non-financial institutions.

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

Recognized according to the criteria described below:

i. Contingent assets

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

ii. Contingent liabilities

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

iii. Legal obligation – tax and social security

Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

s. Earnings per share

Calculated based on weighted average shares outstanding for the period.

t. Revenue recognition

Revenues and expenses are recorded under the accrual method.

5. Risk management

The Bank's committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees involved in risk management activities are: (i) management committee, which approves policies, defines overall limits and is ultimately responsible for managing risks; (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products; (iii) Credit Risk area, which is responsible for approving new loans according to the guidelines set forth by our CRO; (iv) Market Risk area, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Area, which assesses the main operational risks for the internal policies and regulatory risks established; (vi) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering; (vii) CFO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (viii) Audit Committee, which is responsible for

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independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The Bank believes that the involvement of the Committees/areas (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk management section.

a. Operational limits

| | 31/03/2017 | 31/12/2016 |
|---|------------|------------|
| Reference Shareholders' Equity | 18,283,366 | 17,672,754 |
| Consolidation adjustments | 54,465 | 54,465 |
| Reference Shareholders' Equity Consolidated | 18,337,831 | 17,727,219 |
| Tier I | 16,506,808 | 16,216,254 |
| Common Equity | 12,423,539 | 11,924,484 |
| Complementary Equity | 4,083,269 | 4,291,770 |
| Tier II | 2,857,586 | 3,421,161 |
| Reference Shareholders' Equity (PR) - (a) | 19,364,394 | 19,637,415 |
| Required Reference Shareholders' Equity (PRE) | 9,208,144 | 9,571,425 |
| Total exposure risk-weighted - (b) | 99,547,499 | 91,156,431 |
| Credit risk | 54,162,329 | 55,813,608 |
| Operational risk | 7,080,091 | 3,385,968 |
| Market risk | 38,305,079 | 31,956,855 |
| Basel ratio - (a/b) | 19.5% | 21.6% |
| Tier I capital | 16.6% | 17.8% |
| Tier II capital | 2.9% | 3.8% |
| Fixed assets ratio | 73.0% | 77.1% |
| Fixed assets to equity capital ratio | 9,676,837 | 9,813,329 |
| Status for fixed assets to equity capital ratio | 7,068,323 | 7,567,019 |
| Amount of margin (insufficiency) | 2,608,515 | 2,246,310 |

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circular-Letter 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13.

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

As at March 31, 2017 and December 31, 2016 the Bank was in compliance with all operating limits.

(i) 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.

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The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one day period, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses stress test models as a complement to VaR method for its daily risk activities.

The table below contains the Bank's daily average VaR for the quarter ended:

| In millions of R\$ | March 2017 | December 2016 | March 2016 |
|--------------------|------------|---------------|------------|
| Daily average VaR | 117.0 | 141.3 | 224.0 |

(ii) Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

(iii) Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

(iv) Operational risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

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The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

6. Cash at banks

Cash at banks refers basically to deposits abroad in prime banks.

7. Interbank investments

| | 31/03/2017 | | | | | 31/12/2016 |
|---|------------|---------------|----------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | Over 3 years | Total |
| Open market investments | 23,859,034 | 23,135,920 | 723,114 | - | - | 18,810,107 |
| Own portfolio | 2,588,426 | 2,226,649 | 361,777 | - | - | 1,293,206 |
| Federal government bonds | 1,857,035 | 1,496,841 | 360,194 | - | - | 1,204,460 |
| Corporate bonds | 728,815 | 727,232 | 1,583 | - | - | 88,746 |
| Foreign government bonds | 2,576 | 2,576 | - | - | - | - |
| Third-party portfolio | 19,462,809 | 19,223,019 | 239,790 | - | - | 13,879,352 |
| Federal government bonds | 19,336,179 | 19,096,389 | 239,790 | - | - | 13,838,735 |
| Corporate bonds | 14,820 | 14,820 | - | - | - | 2,137 |
| Foreign government bonds | 111,810 | 111,810 | - | - | - | 38,480 |
| Short position | 1,807,799 | 1,686,252 | 121,547 | - | - | 3,637,549 |
| Federal government bonds | 1,424,586 | 1,303,039 | 121,547 | - | - | 3,544,580 |
| Corporate bonds | 8,719 | 8,719 | - | - | - | - |
| Foreign government bonds | 374,494 | 374,494 | - | - | - | 92,969 |
| Interbank investments (*) | 2,331,284 | 2,233,550 | 97,734 | - | - | 1,942,576 |
| Interbank deposit certificates | 1,261,845 | 1,164,111 | 97,734 | - | - | 530,326 |
| Investments in foreign currency - overnight | 1,069,439 | 1,069,439 | - | - | - | 1,412,250 |
| Total | 26,190,318 | 25,369,470 | 820,848 | - | - | 20,752,683 |

(*) Refers basically to interbank deposits in prime banks.

The collateral received in repurchase agreements amounts to R\$24,700,207 (December 31, 2016 - R\$19,162,823), whereas the collateral granted amounts to R\$32,350,148 (December 31, 2016 - R\$25,151,446).

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8. Securities

a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows:

| | 31/03/2017 | | | | | | | 31/12/2016 |
|--|------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Cost | Market | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Market |
| Own portfolio | 13,319,047 | 14,657,501 | 4,443,285 | 3,341,240 | 2,212,172 | 1,653,316 | 3,007,488 | 13,383,987 |
| Federal government bonds | 3,373,198 | 3,946,934 | - | 18,640 | 1,039,667 | 1,302,966 | 1,585,661 | 5,273,562 |
| Brazilian foreign debt securities | 108,811 | 110,281 | - | 371 | - | - | 109,910 | 9,031 |
| Debentures/Eurobonds (i) | 1,614,999 | 1,584,769 | 19,620 | 1,275,043 | 63,916 | 14,788 | 211,402 | 444,582 |
| Bank certificates of deposit | 1,169 | 1,169 | - | 1,169 | - | - | - | 108 |
| Investment fund quotes | | | | | | | | |
| Shares | 165,485 | 175,968 | 175,968 | - | - | - | - | 130,060 |
| Multimarket | 1,524,759 | 1,614,162 | 641,727 | 972,435 | - | - | - | 1,935,931 |
| FIDC - Credit Rights | 5,891 | 5,891 | 5,891 | - | - | - | - | 5,892 |
| Real Estate | 4,106 | 4,433 | 1,647 | - | 2,786 | - | - | 4,563 |
| Equity Investment fund | 807,501 | 826,414 | 93,697 | 4,004 | 618,315 | - | 110,398 | 847,758 |
| Shares | 3,492,677 | 4,059,787 | 3,213,784 | 740,674 | - | - | 105,329 | 3,155,508 |
| Promissory notes | 31,437 | 31,437 | - | 31,437 | - | - | - | 30,546 |
| Certificate of real estate receivables | 38,817 | 38,828 | - | - | 7,688 | 4,002 | 27,138 | 34,120 |
| Other | 28,421 | 28,365 | 2,154 | 175 | 18,039 | - | 7,997 | 14,476 |
| Foreign government bonds | 659,412 | 704,330 | 195,474 | 170,627 | 150,189 | 178,899 | 9,141 | 475,605 |
| Foreign private securities | 1,462,364 | 1,524,733 | 93,323 | 126,665 | 311,572 | 152,661 | 840,512 | 1,022,245 |
| Unrestricted portfolio | 202,986 | 207,385 | - | - | 39,505 | 72,510 | 95,370 | 185,449 |
| Federal government bonds | 202,986 | 207,385 | - | - | 39,505 | 72,510 | 95,370 | 185,449 |
| Subject to repurchase agreements | 9,244,484 | 9,039,428 | 4,177,902 | 1,571,155 | 786,737 | 985,086 | 1,518,548 | 7,164,293 |
| Federal government bonds | 6,698,793 | 6,721,386 | 3,564,709 | 1,487,821 | 543,057 | 729,187 | 396,612 | 4,961,034 |
| Brazilian foreign debt securities | 154,687 | 154,687 | - | - | - | - | 154,687 | 10,076 |
| Certificate of real estate receivables | 290,838 | 290,838 | - | - | - | - | 290,838 | 314,623 |
| Foreign government bonds | 338,632 | 338,632 | 71,571 | - | 26,835 | 17,989 | 222,237 | 181,874 |
| Foreign private securities | | | | | | | | |
| Corporate Bond | 526,242 | 526,242 | 21,991 | - | - | 237,910 | 266,341 | 460,625 |
| Debentures / Eurobonds (i) | 1,235,292 | 1,007,643 | 519,631 | 83,334 | 216,845 | - | 187,833 | 1,236,061 |
| Subject to guarantees | 3,834,360 | 3,836,343 | 813,036 | 449,380 | 560,036 | 1,972,774 | 41,117 | 4,842,169 |
| Federal government bonds | 2,786,597 | 2,792,743 | - | 358,444 | 521,632 | 1,893,686 | 18,981 | 3,968,253 |
| Investment fund quotes | | | | | | | | |
| Multimarket | 257,312 | 257,312 | 257,312 | - | - | - | - | 244,978 |
| Debentures / Eurobonds (i) | 139,546 | 138,199 | - | 23,938 | 34,570 | 57,555 | 22,136 | 101,380 |
| Certificate of real estate receivables | 21,533 | 21,533 | - | - | - | 21,533 | - | 24,017 |
| Shares | 548,600 | 545,784 | 545,784 | - | - | - | - | 422,913 |
| Bank certificates of deposit | 53,081 | 53,081 | - | 53,081 | - | - | - | 64,886 |
| Foreign private securities | 27,691 | 27,691 | 9,940 | 13,917 | 3,834 | - | - | 15,742 |
| Trading securities | 18,594,663 | 19,430,200 | 8,746,799 | 4,808,011 | 1,935,289 | 1,717,778 | 2,222,323 | 18,258,886 |
| Available for sale securities | 2,851,925 | 2,584,192 | 687,424 | 553,764 | 351,678 | 133,584 | 857,742 | 2,378,011 |
| Held-to-maturity securities | 5,726,265 | 5,726,265 | - | - | 1,311,483 | 2,832,324 | 1,582,458 | 4,939,001 |
| Total | 27,172,853 | 27,740,657 | 9,434,223 | 5,361,775 | 3,598,450 | 4,683,686 | 4,662,523 | 25,575,898 |

(i) Substantially securities issued by Brazilian companies.

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b. Trading securities

| | 31/03/2017 | | | | | | | 31/12/2016 |
|-----------------------------------|------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Cost | Market | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Market |
| Own portfolio | 8,801,216 | 9,606,431 | 4,275,492 | 2,894,748 | 1,072,242 | 295,854 | 1,068,095 | 12,684,090 |
| Federal government bonds | 20,083 | 21,843 | - | 18,640 | - | - | 3,203 | 5,273,562 |
| Brazilian foreign debt securities | 108,811 | 110,281 | - | 371 | - | - | 109,910 | 9,031 |
| Debentures/Eurobonds | 963,493 | 971,943 | - | 957,026 | 14,917 | - | - | 20,953 |
| Bank certificates of deposit | 1,169 | 1,169 | - | 1,169 | - | - | - | 108 |
| Investment fund quotes | | | | | | | | |
| Shares | 165,485 | 175,968 | 175,968 | - | - | - | - | 130,060 |
| Multimarket | 1,524,759 | 1,614,162 | 641,727 | 972,435 | - | - | - | 1,935,931 |
| FIDC - Credit Rights | 5,891 | 5,891 | 5,891 | - | - | - | - | 5,892 |
| Real Estate | 4,106 | 4,433 | 1,647 | - | 2,786 | - | - | 4,563 |
| Equity Investment fund | 696,516 | 715,429 | 93,697 | 4,004 | 617,728 | - | - | 717,825 |
| Shares | 3,492,677 | 4,059,787 | 3,213,784 | 740,674 | - | - | 105,329 | 3,155,508 |
| Other | 2,143 | 2,144 | 2,144 | - | - | - | - | - |
| Foreign government bonds | 454,879 | 499,797 | 81,720 | 140,504 | 125,239 | 143,193 | 9,141 | 408,412 |
| Foreign private securities | 1,361,215 | 1,423,584 | 58,914 | 59,925 | 311,572 | 152,661 | 840,512 | 1,022,245 |
| Unrestricted portfolio | 202,986 | 207,385 | - | - | 39,505 | 72,510 | 95,370 | 185,449 |
| Federal government bonds | 202,986 | 207,385 | - | - | 39,505 | 72,510 | 95,370 | 185,449 |
| Subject to repurchase agreements | 7,718,354 | 7,740,947 | 3,658,271 | 1,487,821 | 569,892 | 985,086 | 1,039,877 | 3,038,362 |
| Federal government bonds | 6,698,793 | 6,721,386 | 3,564,709 | 1,487,821 | 543,057 | 729,187 | 396,612 | 2,385,787 |
| Brazilian foreign debt securities | 154,687 | 154,687 | - | - | - | - | 154,687 | 10,076 |
| Foreign government bonds | 338,632 | 338,632 | 71,571 | - | 26,835 | 17,989 | 222,237 | 181,874 |
| Foreign private securities | | | | | | | | |
| Corporate Bond | 526,242 | 526,242 | 21,991 | - | - | 237,910 | 266,341 | 460,625 |
| Subject to guarantees | 1,872,107 | 1,875,437 | 813,036 | 425,442 | 253,650 | 364,328 | 18,981 | 2,350,985 |
| Federal government bonds | 985,423 | 991,569 | - | 358,444 | 249,816 | 364,328 | 18,981 | 1,604,499 |
| Investment fund quotes | | | | | | | | |
| Multimarket | 257,312 | 257,312 | 257,312 | - | - | - | - | 244,978 |
| Shares | 548,600 | 545,784 | 545,784 | - | - | - | - | 422,913 |
| Bank certificates of deposit | 53,081 | 53,081 | - | 53,081 | - | - | - | 64,886 |
| Foreign private securities | 27,691 | 27,691 | 9,940 | 13,917 | 3,834 | - | - | 13,709 |
| Total | 18,594,663 | 19,430,200 | 8,746,799 | 4,808,011 | 1,935,289 | 1,717,778 | 2,222,323 | 18,258,886 |

c. Available-for-sale securities

| | 31/03/2017 | | | | | | | 31/12/2016 |
|--|------------|--------------|---------------|----------------|--------------|--------------|--------------|--------------|
| | Cost | Market value | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Market value |
| Own portfolio | 1,164,716 | 1,125,979 | 167,793 | 446,492 | 100,263 | 54,496 | 356,935 | 699,897 |
| Investment fund quotes | | | | | | | | |
| Equity investment fund | 110,985 | 110,985 | - | - | 587 | - | 110,398 | 129,933 |
| Debentures | 651,506 | 612,826 | 19,620 | 318,017 | 48,999 | 14,788 | 211,402 | 423,629 |
| Certificate of real estate receivables | 38,828 | 38,828 | - | - | 7,688 | 4,002 | 27,138 | 34,120 |
| Promissory notes | 31,437 | 31,437 | - | 31,437 | - | - | - | 30,546 |
| Foreign government bonds | 204,533 | 204,533 | 113,754 | 30,123 | 24,950 | 35,706 | - | 67,193 |
| Foreign private securities | 101,149 | 101,149 | 34,409 | 66,740 | - | - | - | 14,476 |
| Other | 26,278 | 26,221 | 10 | 175 | 18,039 | - | 7,997 | - |
| Subject to repurchase agreements | 1,526,130 | 1,298,481 | 519,631 | 83,334 | 216,845 | - | 478,671 | 1,550,684 |
| Debentures (i) | 1,235,292 | 1,007,643 | 519,631 | 83,334 | 216,845 | - | 187,833 | 1,236,061 |
| Certificate of real estate receivables | 290,838 | 290,838 | - | - | - | - | 290,838 | 314,623 |
| Subject to guarantees | 161,079 | 159,732 | - | 23,938 | 34,570 | 79,088 | 22,136 | 127,430 |
| Debentures | 139,546 | 138,199 | - | 23,938 | 34,570 | 57,555 | 22,136 | 101,380 |
| Certificate of real estate receivables | 21,533 | 21,533 | - | - | - | 21,533 | - | 24,017 |
| Foreign private securities | - | - | - | - | - | - | - | 2,033 |
| Total | 2,851,925 | 2,584,192 | 687,424 | 553,764 | 351,678 | 133,584 | 857,742 | 2,378,011 |

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d. Held-to-maturity securities

| | 31/03/2017 | | | | | | 31/12/2016 |
|--------------------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Cost | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Cost |
| Own portfolio | 3,925,091 | - | - | 1,039,667 | 1,302,966 | 1,582,458 | 2,575,247 |
| Federal government bonds | 3,925,091 | - | - | 1,039,667 | 1,302,966 | 1,582,458 | 2,575,247 |
| Subject to guarantees | 1,801,174 | - | - | 271,816 | 1,529,358 | - | 2,363,754 |
| Federal government bonds | 1,801,174 | - | - | 271,816 | 1,529,358 | - | 2,363,754 |
| Total | 5,726,265 | - | - | 1,311,483 | 2,832,324 | 1,582,458 | 4,939,001 |

If measured at fair value, held-to-maturity securities would be reported as at the quarter ended March 31, 2017 with a negative adjustment of R\$113,664 (December 31, 2016 – R\$36,279 negative).

The Bank has intention and financial capacity to maintain such assets to maturity.

e. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention were made by management during the quarter ended in March 31, 2017 and year ended December 31, 2016.

9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed through strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

Transactions conducted in Brazil are traded, registered or held in custody by BM&FBovespa and CETIP S.A. – Balcão Organizado de Ativos e Derivativos; transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

As at the quarter ended March 31, 2017 the bank strategy of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations, compared to the functional currency of the head office. As at the year ended December 31, 2016, the Bank does not have derivative financial instruments classified as hedge accounting.

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| | 31/03/2017 | | |
|--|------------------|------------|--------------|
| | Hedge instrument | | |
| | Nominal value | Market (i) | Hedge assets |
| Net Investment Hedge of Foreign Operations (i) | 12,645,615 | 152,529 | 6,688,877 |

(i) Recorded in stockholders' equity under heading asset valuation adjustments.

To hedge the changes of future cash flows of exchange variation of net investments in foreign operations, the Bank uses Futures contracts, financial assets and forward contracts or NDF contracts entered into by the subsidiaries abroad.

a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular Letter 3641/13, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward ("NDF") and Deliverable Forward ("DF") derivatives in the table below.

| | 31/03/2017 | | | | 31/12/2016 |
|--------------------------|----------------|----------------|-------------|-------------|------------|
| | Up to 6 months | 6 to 12 months | Over 1 year | Total | Total |
| Futures market | | | | | |
| Long position | 24,844,028 | 18,443,761 | 12,092,960 | 55,380,749 | 81,712,301 |
| Currency | 8,633,273 | - | 10,220 | 8,643,493 | 6,766,707 |
| Interest rate | 16,156,756 | 18,443,761 | 12,082,740 | 46,683,257 | 74,840,749 |
| Equities | - | - | - | - | 22 |
| Other | 53,999 | - | - | 53,999 | 104,823 |
| Short position | 36,885,474 | 5,577,772 | 1,127,388 | 43,590,634 | 18,262,714 |
| Currency | 46,430 | - | 246,448 | 292,878 | 70 |
| Interest rate | 36,252,627 | 1,848,275 | 880,940 | 38,981,842 | 18,070,715 |
| Commodities | - | - | - | - | 7,549 |
| Equities | - | - | - | - | 22 |
| Other | 586,417 | 3,729,497 | - | 4,315,914 | 184,358 |
| Swap | | | | | |
| Long position | 81,841,968 | 24,297,796 | 25,968,230 | 132,107,994 | 63,801,633 |
| Currency | 338,227 | 366,839 | 1,138,466 | 1,843,532 | 2,116,247 |
| Interest rate | 81,315,310 | 23,889,981 | 24,801,157 | 130,006,448 | 61,192,473 |
| Index | 1,128 | 460 | 3,965 | 5,553 | 246,295 |
| Equities | 38,791 | 10,168 | 2,463 | 51,422 | 63,156 |
| Commodities | 2,468 | - | - | 2,468 | - |
| Federal government bonds | - | - | - | - | 744 |
| Other | 146,044 | 30,348 | 22,179 | 198,571 | 182,718 |
| Short position | 81,841,968 | 24,297,796 | 25,968,230 | 132,107,994 | 63,801,633 |
| Currency | 265,472 | 1,155,606 | 1,767,319 | 3,188,397 | 10,766,256 |
| Interest rate | 80,682,345 | 23,007,967 | 22,888,926 | 126,579,238 | 46,826,281 |
| Index | 168,289 | 65,769 | 993,835 | 1,227,893 | 4,078,690 |
| Equities | 665 | - | - | 665 | 1,499 |
| Commodities | 319,356 | - | - | 319,356 | - |
| Federal government bonds | - | - | - | - | 744 |
| Other | 405,841 | 68,454 | 318,150 | 792,445 | 2,128,163 |

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| | 31/03/2017 | | | | 31/12/2016 |
|-------------------------------|----------------|----------------|-------------|------------|------------|
| | Up to 6 months | 6 to 12 months | Over 1 year | Total | Total |
| Credit Derivatives | | | | | |
| Long position | 285,156 | 47,526 | 317,949 | 650,631 | 543,617 |
| Sovereign | 285,156 | 31,684 | 185,510 | 502,350 | 505,160 |
| Corporate | - | 15,842 | 132,439 | 148,281 | 38,457 |
| Short position | - | - | - | - | 93,048 |
| Sovereign | - | - | - | - | 11,570 |
| Corporate | - | - | - | - | 81,478 |
| Non-deliverable forward - NDF | | | | | |
| Long position | 19,178,499 | 6,548,769 | 12,427,141 | 38,154,409 | 41,500,091 |
| Currency | 16,260,707 | 2,576,507 | 129,284 | 18,966,498 | 20,355,769 |
| Commodities | 2,917,792 | 3,972,262 | 12,297,857 | 19,187,911 | 21,028,246 |
| Interest rate | - | - | - | - | 116,076 |
| Short position | 19,178,499 | 6,548,769 | 12,427,141 | 38,154,409 | 41,500,091 |
| Currency | 15,156,567 | 2,196,558 | 119,254 | 17,472,379 | 16,402,183 |
| Commodities | 2,917,792 | 3,972,262 | 12,297,857 | 19,187,911 | 21,028,246 |
| Interest rate | 1,104,140 | 379,949 | 10,030 | 1,494,119 | 4,069,662 |
| Deliverable forward - DF | | | | | |
| Long position | 12,377,465 | 666,747 | 422,926 | 13,467,138 | 11,921,236 |
| Currency | 12,377,465 | 666,747 | 422,926 | 13,467,138 | 11,921,236 |
| Short position | 12,377,465 | 666,747 | 422,926 | 13,467,138 | 11,921,236 |
| Currency | 12,377,465 | 666,747 | 422,926 | 13,467,138 | 11,921,236 |
| Security forwards | | | | | |
| Long position | 136,058 | 294,055 | 1,483,088 | 1,913,201 | 210,070 |
| Government bonds | 136,058 | 294,055 | 1,483,088 | 1,913,201 | 210,070 |
| Short position | 136,058 | 294,055 | 1,483,088 | 1,913,201 | 210,070 |
| Interest rate | 136,058 | 294,055 | 1,483,088 | 1,913,201 | 210,070 |
| Options market | | | | | |
| Call option - long position | 14,574,044 | 7,261,581 | 76,712 | 21,912,337 | 14,294,032 |
| Equities | 203,002 | 196,070 | 21,025 | 420,097 | 411,248 |
| Index | 102 | - | - | 102 | - |
| Currency | 10,702,228 | 7,065,511 | 55,687 | 17,823,426 | 7,849,901 |
| Interest rate | 3,645,324 | - | - | 3,645,324 | 5,957,476 |
| Other | 23,388 | - | - | 23,388 | 75,407 |
| Put option - long position | 27,176,840 | 92,720 | 404,588 | 27,674,148 | 24,313,372 |
| Equities | 283,504 | 43,973 | 404,588 | 732,065 | 878,183 |
| Index | 363 | - | - | 363 | 3,818 |
| Currency | 9,398,473 | 48,747 | - | 9,447,220 | 7,984,634 |
| Interest rate | 17,494,500 | - | - | 17,494,500 | 15,112,500 |
| Other | - | - | - | - | 334,237 |
| Call option - short position | 15,908,762 | 152,640 | 155,854 | 16,217,256 | 9,989,808 |
| Equities | 313,395 | 108,303 | 34,227 | 455,925 | 255,232 |
| Index | 85 | - | 128 | 213 | - |
| Currency | 4,916,487 | 38,000 | - | 4,954,487 | 9,570,051 |
| Interest rate | 3,646,974 | - | - | 3,646,974 | - |
| Other | 7,031,821 | 6,337 | 121,499 | 7,159,657 | 164,525 |
| Put option - short position | 25,347,206 | 63,423 | 2,157 | 25,412,786 | 22,975,619 |
| Equities | 166,088 | 15,189 | 2,157 | 183,434 | 201,889 |
| Index | 211 | - | - | 211 | 4,257 |
| Currency | 4,020,553 | 35,560 | - | 4,056,113 | 7,072,728 |
| Interest rate | 17,487,000 | - | - | 17,487,000 | 15,106,000 |
| Other | 3,673,354 | 12,674 | - | 3,686,028 | 590,745 |

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b. By cost and market value

| | 31/03/2017 | | | | | 31/12/2016 |
|-------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|
| | Cost | Market | Up to 6 months | 6 to 12 months | Over 1 year | Total |
| Swaps | | | | | | |
| Long position | 648,344 | 979,706 | 201,609 | 160,143 | 617,954 | 942,948 |
| Short position | 784,313 | 1,116,004 | 133,237 | 210,298 | 772,469 | 1,236,207 |
| Credit derivatives | | | | | | |
| Long position | 19,199 | 19,199 | 3,063 | 1,551 | 14,585 | 16,245 |
| Short position | 14,456 | 14,456 | - | 14,456 | - | 1,065 |
| Non-deliverable forward - NDF | | | | | | |
| Long position | 3,769,332 | 3,780,029 | 1,361,315 | 1,079,214 | 1,339,500 | 3,498,253 |
| Short position | 2,602,459 | 2,606,568 | 1,024,604 | 552,909 | 1,029,055 | 1,975,584 |
| Deliverable forward - DF | | | | | | |
| Long position | 9,191,744 | 9,094,635 | 8,531,134 | 169,322 | 394,179 | 5,815,375 |
| Short position | 9,187,347 | 9,187,347 | 8,627,703 | 167,506 | 392,138 | 5,869,432 |
| Security forwards | | | | | | |
| Long position | 1,933,778 | 1,933,779 | 136,005 | 315,463 | 1,482,311 | 209,875 |
| Short position | 1,912,191 | 1,920,935 | 135,997 | 302,665 | 1,482,273 | 209,978 |
| Options market | | | | | | |
| Long position | 1,290,094 | 1,252,886 | 1,165,808 | 23,199 | 63,879 | 1,427,627 |
| Short position | 439,928 | 352,395 | 331,908 | 8,664 | 11,823 | 352,611 |
| Long position | 16,852,491 | 17,060,234 | 11,398,934 | 1,748,892 | 3,912,408 | 11,910,323 |
| Short position | 14,940,694 | 15,197,705 | 10,253,449 | 1,256,498 | 3,687,758 | 9,644,877 |

c. Notional by counterparty

| | 31/03/2017 | | | | | 31/12/2016 |
|-------------------------------|----------------------------------|----------------------------|-------------------|----------------|--------------------|--------------------|
| | Clearing houses / stock exchange | Financial Institutions (i) | Companies | Individuals | Total | Total |
| Futures market | | | | | | |
| Long position | 55,019,897 | 360,852 | - | - | 55,380,749 | 81,712,301 |
| Short position | 39,065,416 | 4,525,218 | - | - | 43,590,634 | 18,262,714 |
| Swap | | | | | | |
| Long position | 2,271,737 | 129,836,257 | - | - | 132,107,994 | 63,801,633 |
| Short position | 2,271,737 | 129,836,257 | - | - | 132,107,994 | 63,801,633 |
| Credit derivatives | | | | | | |
| Long position | - | 650,631 | - | - | 650,631 | 543,617 |
| Short position | - | - | - | - | - | 93,048 |
| Non-deliverable forward - NDF | | | | | | |
| Long position | - | 18,966,321 | 19,188,088 | - | 38,154,409 | 41,500,091 |
| Short position | - | 18,966,321 | 19,188,088 | - | 38,154,409 | 41,500,091 |
| Deliverable forward - DF | | | | | | |
| Long position | - | 13,467,062 | 76 | - | 13,467,138 | 11,921,236 |
| Short position | - | 13,467,062 | 76 | - | 13,467,138 | 11,921,236 |
| Security forwards | | | | | | |
| Long position | - | 1,913,201 | - | - | 1,913,201 | 210,070 |
| Short position | - | 1,913,201 | - | - | 1,913,201 | 210,070 |
| Options market | | | | | | |
| Long position | 21,289,331 | 27,768,851 | 120,940 | 407,363 | 49,586,485 | 38,607,404 |
| Short position | 21,441,373 | 19,914,877 | 400 | 273,392 | 41,630,042 | 32,965,427 |
| Long position | 78,580,965 | 192,963,175 | 19,309,104 | 407,363 | 291,260,607 | 238,296,352 |
| Short position | 62,778,526 | 188,622,936 | 19,188,564 | 273,392 | 270,863,418 | 168,754,219 |

(i) Includes investments funds.

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d. Credit derivatives

| | 31/03/2017 | 31/12/2016 |
|------------------|------------|------------|
| Credit swap | | |
| Transferred risk | | |
| Sovereign | 502,350 | 505,161 |
| Corporate | 148,281 | 38,457 |
| Risk received | | |
| Sovereign | - | (11,570) |
| Corporate | - | (81,478) |
| | 650,631 | 450,570 |

During the quarter ended March 31, 2017 and year ended December 31, 2016, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at March 31, 2017 is R\$59,958 (December 31, 2016 – R\$64.237).

e. Guarantee margins

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and foreign government bonds totaling R\$3,086,481 (December 31, 2016 – R\$4,028,663) and shares in the amount of R\$545,784 (December 31, 2016 – R\$422,913). From the total amount, approximately R\$132,199 refers to additional margin deposited, as requested by BM&F Bovespa, due to volatility observed in function of events previously described, in Note 1.

f. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&F Bovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).

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- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).
- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by BM&F Bovespa. Fund quotas are valued based on quota prices disclosed by the custodian.
- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

10.Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

a. Loans

i. By type of credit

| Type of credit | 31/03/2017 | | 31/12/2016 | |
|---|------------|-------------|------------|-----------|
| | Balance | Allowance | Balance | Allowance |
| Loans | 7,095,692 | (804,112) | 6,455,431 | (500,124) |
| Financing | 876,660 | (64,046) | 874,382 | (67,174) |
| FINAME/BNDES | 2,694,052 | (13,286) | 2,643,849 | (13,018) |
| Securities financing | 110,421 | - | 107,164 | - |
| Transferred loans with co-obligations (i) | 444,746 | (177,413) | 12,848 | - |
| Total | 11,221,571 | (1,058,857) | 10,093,674 | (580,316) |

(i) Refers to transferred loans as collateral, related to repurchase agreements.

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ii. By risk level and maturity

| Risk level | 31/03/2017 | | | | | | 31/12/2016 | |
|------------|------------|----------------|----------------|----------------|------------|-------------|------------|-----------|
| | Overdue | Maturity | | | Total | Allowance | Total | Allowance |
| | | Up to 6 months | 6 to 12 months | Over 12 months | | | | |
| AA | 8,816 | 1,093,446 | 326,321 | 2,033,622 | 3,462,205 | - | 2,711,793 | - |
| A | - | 141,941 | 391,193 | 2,643,107 | 3,176,241 | (15,640) | 3,189,097 | (15,450) |
| B | 20 | 112,061 | 79,467 | 913,460 | 1,105,008 | (11,050) | 1,144,936 | (11,326) |
| C | 26,328 | 871,264 | 176,002 | 91,044 | 1,164,638 | (48,884) | 1,181,838 | (49,535) |
| D | 149,970 | 73,992 | 37,256 | 1,004,465 | 1,265,683 | (165,077) | 1,165,941 | (156,310) |
| E | 78,682 | 2,422 | 2,477 | 20,783 | 104,364 | (35,567) | 496,730 | (190,354) |
| F | 376,634 | 3,583 | 4,142 | 17,115 | 401,474 | (241,366) | 89,915 | (48,324) |
| G | 2,284 | - | - | - | 2,284 | (1,599) | 14,694 | (10,287) |
| H | 121,648 | 383,911 | 19,090 | 15,025 | 539,674 | (539,674) | 98,730 | (98,730) |
| Total | 764,382 | 2,682,620 | 1,035,948 | 6,738,621 | 11,221,571 | (1,058,857) | 10,093,674 | (580,316) |

iii. By activity sector

| Sector | 31/03/2017 | 31/12/2016 |
|-------------|------------|------------|
| Commerce | 232,022 | 234,416 |
| Industry | 344,237 | 331,499 |
| Services | 9,195,620 | 8,486,428 |
| Rural | 196,072 | 186,410 |
| Individuals | 1,253,620 | 854,921 |
| Total | 11,221,571 | 10,093,674 |

b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

i. By risk level and maturity

| Risk level | 31/03/2017 | | | | | | 31/12/2016 | |
|------------|------------|----------------|----------------|----------------|---------|-----------|------------|-----------|
| | Overdue | Maturity | | | Total | Allowance | Total | Allowance |
| | | Up to 6 months | 6 to 12 months | Over 12 months | | | | |
| AA | - | 7 | - | - | 7 | - | 277 | - |
| B | - | - | - | - | - | - | - | - |
| C | 14,261 | 29,570 | 45,496 | - | 89,327 | (2,680) | 83,612 | (2,547) |
| D | 47,256 | - | - | - | 47,256 | (4,726) | 44,776 | (4,473) |
| E | - | - | - | 15,003 | 15,003 | (5,101) | - | - |
| H | - | - | - | - | - | - | 362 | (362) |
| Total | 61,517 | 29,577 | 45,496 | 15,003 | 151,593 | (12,507) | 129,027 | (7,382) |

ii. By activity sector

| Sector | 31/03/2017 | 31/12/2016 |
|----------|------------|------------|
| Industry | - | 362 |
| Services | 151,593 | 128,665 |
| Total | 151,593 | 129,027 |

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c. Advances in foreign exchange contracts

i. By risk level and maturity

| Risk level | 31/03/2017 | | | | | 31/12/2016 | | |
|------------|------------|----------------|----------------|----------------|---------|------------|---------|-----------|
| | Overdue | Maturity | | | Total | Allowance | Total | Allowance |
| | | Up to 6 months | 6 to 12 months | Over 12 months | | | | |
| AA | - | - | 64,494 | - | 64,494 | - | 64,494 | - |
| A | - | 3,871 | - | - | 3,871 | (19) | 16,331 | (82) |
| C | - | 15,699 | 79,520 | - | 95,219 | (2,868) | 48,182 | (1,473) |
| D | - | 25,139 | - | - | 25,139 | (2,279) | 67,113 | (8,380) |
| E | - | 7,621 | 8,244 | - | 15,865 | (4,767) | - | - |
| H | 20,886 | - | - | - | 20,886 | (20,886) | 20,886 | (20,886) |
| Total | 20,886 | 52,330 | 152,258 | - | 225,474 | (30,819) | 217,006 | (30,821) |

ii. By activity sector

| Sector | 31/03/2017 | 31/12/2016 |
|----------|------------|------------|
| Industry | 55,887 | 62,097 |
| Services | 169,587 | 154,909 |
| Total | 225,474 | 217,006 |

d. Credit concentration

| | 31/03/2017 | % | 31/12/2016 | % |
|-------------------------------------|------------|------|------------|------|
| Largest debtors | | | | |
| 10 largest debtors | 5,897,266 | 52% | 5,548,361 | 53% |
| 20 following largest debtors | 1,838,820 | 16% | 1,782,333 | 17% |
| 50 following largest debtors | 1,788,950 | 15% | 1,632,127 | 16% |
| 100 following largest debtors | 1,413,359 | 12% | 1,115,806 | 11% |
| 200 following largest debtors | 623,348 | 5% | 351,508 | 3% |
| 500 following largest debtors | 34,368 | 0% | 21,488 | 0% |
| Above 500 following largest debtors | 2,527 | 0% | 932 | 0% |
| Total | 11,598,638 | 100% | 10,452,555 | 100% |

e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

| | 31/03/2017 | 31/03/2016 |
|---|-------------|-------------|
| Opening balances | (835,069) | (2,288,630) |
| Reversal/(accrual) of allowance | (111,372) | (131,340) |
| Allowance from acquired / sale entity | - | 1,210 |
| Renegotiation/recovery of credits written off to loss | (369,084) | - |
| Exchange rate variation | (2,280) | 142,195 |
| Credits written off as loss | 11,388 | 34,240 |
| Closing balances | (1,306,417) | (2,242,325) |
| Breakdown of closing balances | | |
| Allowance for loan losses | (1,058,857) | (1,855,623) |
| Allowance for other receivables (Note 10 (b)) | (12,507) | (117,945) |
| Allowance for advances on foreign exchange contracts | (30,819) | (35,538) |
| Allowance for guarantes (Note 16) | (204,234) | (233,219) |
| | (1,306,417) | (2,242,325) |

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f. Renegotiation/recovery of credits written off as loss

In March 31, 2017, the amount of R\$72,285 were due to credit renegotiation (December 31, 2016 – R\$1,230,379). Also in the quarter ended March 31, 2017 there were the amount of R\$121,370 due to written off loans recovery (December 31, 2016 – R\$50,605).

11. Other receivables/obligations

a. Foreign Exchange portfolio

| | 31/03/2017 | | 31/12/2016 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Unsettled exchange purchased/sold | 5,433,923 | 9,419,439 | 3,914,364 | 10,531,068 |
| Rights on foreign exchange sales | 9,809,308 | - | 10,781,197 | - |
| (-) Advances on foreign exchange contracts (Note 10 (c)) | 1,025 | (224,449) | 1,498 | (215,508) |
| (-) Advances in foreign currency received | (158) | - | (326) | - |
| (-) Advances in local currency received | (7,973) | - | (1,280) | - |
| Liability for foreign exchange purchase | - | 5,514,861 | - | 4,026,204 |
| Total | <u>15,236,125</u> | <u>14,709,851</u> | <u>14,695,453</u> | <u>14,341,764</u> |
| Current | 15,236,125 | 14,709,851 | 14,695,453 | 14,341,764 |
| Long-term | - | - | - | - |

Guarantees for foreign exchange transactions carried out through BM&FBovespa – Securities, Commodities and Futures Exchange (BM&FBovespa), are represented by federal government bonds in the amount of R\$204,078 (December 31, 2016 - R\$390,593).

b. Securities trading and brokerage

| | 31/03/2017 | | 31/12/2016 | |
|--|------------------|------------------|------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Clearing houses | 628,360 | 717,238 | 868,149 | 392,195 |
| Unsettled financial assets / liabilities | 32,867 | 52,176 | 8,624 | 13,476 |
| Debtors/creditors – pending settlement account | 2,362,980 | 1,105,543 | 1,875,932 | 1,320,974 |
| Creditors for stock loans | - | 1,394,682 | - | 1,276,467 |
| Other securities trading and brokerage | 175,343 | 2,455,946 | 38,105 | 1,098,377 |
| Commissions and brokerage payable | - | 397 | - | 469 |
| Swap brokerage | 119 | - | 113 | - |
| Total | <u>3,199,669</u> | <u>5,725,982</u> | <u>2,790,923</u> | <u>4,101,958</u> |
| Current | 3,199,669 | 5,725,982 | 2,790,923 | 4,101,958 |
| Long-term | - | - | - | - |

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“Debtors/creditors – pending settlement account” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&F Bovespa, and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties, on the regular term.

“Other securities trading and brokerage” basically represents, in assets, intermediation transactions from time deposits to be settled, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled, on the regular term.

12. Other receivables

a. Income receivable

| | 31/03/2017 | 31/12/2016 |
|--|------------------|----------------|
| Dividends and bonus | 221,897 | 17,493 |
| Receivables from services rendered | 446,679 | 536,294 |
| Management and performance fees for investment funds and portfolio | 319,137 | 290,405 |
| Distribution fees | 4,163 | 3,105 |
| Commissions on guarantees | 18,554 | 13,908 |
| Total | 1,010,430 | 861,205 |
| Current | 877,509 | 668,728 |
| Long-term | 132,921 | 192,477 |

b. Sundry

| | 31/03/2017 | 31/12/2016 |
|--|-------------------|-------------------|
| Deferred tax assets - income and social contribution (note 18) | 4,285,478 | 4,463,246 |
| Deferred tax assets - Others | 54,457 | 97,360 |
| Judicial deposits | 1,772,836 | 1,739,441 |
| Taxes recoverable to offset | 891,708 | 711,826 |
| Tax incentive options | 1,319 | 1,319 |
| Securities and credits receivable | | |
| With loan characteristics (note 10 b) | 151,593 | 129,027 |
| Without loan characteristics (i) | 764,535 | 548,358 |
| Investment properties | 751,719 | 780,447 |
| Held for sale | 1,643,853 | 1,781,685 |
| Salaries advances | 18,575 | 19,829 |
| Sundry (ii) | 2,858,060 | 3,315,871 |
| Advance to suppliers | 531,152 | 514,152 |
| Other | 75,511 | 14,494 |
| Total | 13,800,796 | 14,117,055 |
| Current | 5,703,936 | 5,149,017 |
| Long-term | 8,096,860 | 8,968,038 |

(i) On March 31, 2017, the line above has allowance losses of R\$108,158 (December 31, 2016 – R\$75,270), registered in “Other receivables - Allowance for losses in other receivables”.

(ii) Includes receivables from sale of investmets.

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13. Investments in associates and jointly controlled entities

| | Associates and jointly-controlled entities | | | | | |
|--|--|------------|-------------------|------------|------------|------------|
| | Shareholders' Equity | | Net income (loss) | | Interest | |
| | | | Quarter ended: | | | |
| | 31/03/2017 | 31/12/2016 | 31/03/2017 | 31/03/2016 | 31/03/2017 | 31/12/2016 |
| In Brazil | | | | | | |
| Banco Pan S.A. | 3,184,515 | 3,412,162 | 3,669 | 96,102 | 40.35% | 40.35% |
| Warehouse 1 Empreendimentos Imobiliários S.A. | 29,758 | 29,758 | - | - | 35.00% | 35.00% |
| Max Casa XIX Empreendimentos Imobiliários S.A. | 2,679 | 2,679 | - | (2,308) | 50.00% | 50.00% |
| ACS Omicron Empreendimentos Imobiliários S.A. | 5,705 | 5,705 | - | 161 | 44.74% | 44.74% |
| Pan Seguros S.A. | 659,908 | 650,611 | 8,699 | 4,542 | 51.00% | 51.00% |
| Pan Corretora S.A. | 71,492 | 67,612 | 3,880 | 2,572 | 51.00% | 51.00% |
| Abroad | | | | | | |
| BTG Pactual Holding S.A.R.L. | 4,109,632 | 4,373,293 | 16,854 | 467,898 | 40.00% | 40.00% |
| Maybroke Holding S.A. | - | 984,727 | - | (10,471) | 0.00% | 50.00% |
| Engelhart CTP Group S.A. | 4,111,552 | 4,565,815 | 293,658 | (154,929) | 28.85% | 30.06% |
| EFG International (i) | 6,338,803 | 6,411,200 | - | - | 30.00% | 30.00% |

(i) EFG International preliminary information, determined on sale date of BSI, as described on note 2.

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| | Changes in investments | | | | | | | |
|---|------------------------|--|-------------------|--------------------------|--------------------|--|------------------|--|
| | 31/12/2016 | Acquisition / Increase/ Transfer / (Sales) / (Capital Decrease) | Dividends paid | Fair value adjustment | Exchange variation | Equity in earnings of subsidiaries | 31/03/2017 | Equity in earnings of associates from 31/03/2016 |
| In Brazil | | | | | | | | |
| Banco Pan S.A. | 1,283,326 | - | - | 833 | - | 1,481 | 1,285,640 | (38,780) |
| Negative Goodwill - Banco Pan | (56,884) | - | - | - | - | - | (56,884) | - |
| Warehouse 1 Empreendimentos Imobs S.A. | 10,414 | - | - | - | - | - | 10,414 | - |
| Max Casa XIX Empreendimentos Imobs S.A. | 1,340 | - | - | - | - | - | 1,340 | 318 |
| ACS Omicron Empreendimentos Imobs S.A. | 2,553 | - | - | - | - | - | 2,553 | 144 |
| BTG Pactual Vivere Participações S.A. | - | - | - | - | - | - | - | (946) |
| Pan Corretora S.A. | 34,482 | - | - | - | - | 1,979 | 36,461 | 1,312 |
| Pan Seguros S.A. | 331,808 | - | - | 305 | - | 4,437 | 336,550 | 3,164 |
| Other | 6,018 | (302) | - | 212 | - | (10) | 5,918 | - |
| Total | 1,613,057 | (302) | - | 1,350 | - | 7,887 | 1,621,992 | (34,788) |
| Abroad | | | | | | | | |
| BTG Pactual Holding S.A.R.L. (i) | 1,749,318 | - | (63,523) | - | (48,669) | 6,729 | 1,643,855 | (497,825) |
| Maybroke Holding S.A. (i) | 494,809 | (485,733) | - | - | (20,798) | 11,722 | - | (50,065) |
| Engelhart CTP Group S.A. (ii) | 1,372,257 | (155,500) | - | - | (39,573) | 93,455 | 1,270,639 | - |
| EFG International (ii) (iii) | 1,923,361 | - | - | - | (21,720) | - | 1,901,641 | - |
| Goodwill - EFG International (ii) | 999,339 | - | - | - | (10,147) | (50,544) | 938,648 | - |
| Other non-consolidated BSI entities | - | - | - | - | - | - | - | 2,597 |
| | 6,539,084 | (641,233) | (63,523) | - | (140,907) | 61,362 | 5,754,783 | (545,293) |
| Total | 8,152,141 | (641,535) | (63,523) | 1,350 | (140,907) | 69,249 | 7,376,775 | (580,081) |

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(i) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to the exchange rate variation.

(ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities ceased to have its assets and liabilities consolidated, starting to be treated as investments in associates and jointly controlled entities.

(iii) It was not possible to determine the amount related to the equity pick-up in the Bank's investment in EFG during the quarter ended March 31, 2017. BTG Pactual will recognize the results of its participation in the investee periodically, at least every six months, whenever the information is publicly disclosed by the EFG.

14. Intangible assets

| | Changes in Intangible assets | | | | | 31/03/2017 |
|-------------------------|------------------------------|-------------------------|-----------|-----------------------|--------------------|------------|
| | 31/12/2016 | Acquisitions / Transfer | Write off | Amortization expenses | Exchange variation | |
| Goodwill | 192,285 | 613 | (2,808) | (41,000) | (5,501) | 143,589 |
| Cost | 963,916 | 613 | (2,808) | - | (11,953) | 949,768 |
| Amortization | (771,631) | - | - | (41,000) | 6,452 | (806,179) |
| Other intangible assets | 174,450 | 16,488 | (32) | (10,147) | (1,623) | 179,136 |
| Cost | 336,540 | 67,702 | (32) | - | (3,285) | 400,925 |
| Amortization | (162,090) | (51,214) | - | (10,147) | 1,662 | (221,789) |
| Total | 366,735 | 17,101 | (2,840) | (51,147) | (7,124) | 322,725 |

The intangible assets amortization period is 5 years.

15. Fund raising and loans and onlending

a. Summary

| | 31/03/2017 | | | | | | 31/12/2016 |
|---|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Deposits | 8,762,714 | 4,357,198 | 3,584,692 | 91,419 | 715,696 | 13,709 | 7,690,817 |
| Open market funding | 31,608,872 | 29,123,467 | 1,589,035 | 813,203 | - | 83,167 | 24,903,973 |
| Funds from securities issued and accepted | 8,945,601 | 1,223,877 | 3,024,218 | 3,414,220 | 533,715 | 749,571 | 10,335,702 |
| Loans and onlending | 3,718,329 | 780,717 | 359,689 | 138,872 | 156,244 | 2,282,807 | 3,544,822 |
| Subordinated debts and subordinated debt eligible to equity | 11,400,188 | 627,735 | 627,734 | 2,775,020 | 1,904,117 | 5,465,582 | 11,588,192 |
| Total | 64,435,704 | 36,112,994 | 9,185,368 | 7,232,734 | 3,309,772 | 8,594,836 | 58,063,506 |

b. Deposits

| | 31/03/2017 | | | | | | 31/12/2016 |
|--------------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Demand deposits | 132,629 | 132,629 | - | - | - | - | 128,552 |
| Interbank deposits | 319,847 | 156,749 | 117,913 | 42,273 | 2,912 | - | 226,135 |
| Time deposits (i) | 8,310,238 | 4,067,820 | 3,466,779 | 49,146 | 712,784 | 13,709 | 7,336,130 |
| Total | 8,762,714 | 4,357,198 | 3,584,692 | 91,419 | 715,696 | 13,709 | 7,690,817 |

(i) Include time deposit with special guarantee from FGC, with maturity until December 29, 2017. The deposits were indexed to interest referenced rates (CDI) between 100% p.a and 120% p.a.

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On December 4, 2015 a Memorandum of Understanding with the Fundo Garantidor de Créditos – FGC was executed to extend a credit line up to the amount of R\$6.0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. On October 19, 2016, the financial assistance line obtained from FGC, had been fully paid.

Open market funding

Open market funding has collateral on the following securities:

| | 31/03/2017 | | | | | | 31/12/2016 |
|----------------------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Own Portfolio | 9,627,524 | 8,571,997 | 1,055,527 | - | - | - | 7,793,086 |
| Federal government bonds | 6,815,211 | 6,815,211 | - | - | - | - | 4,954,568 |
| Corporate securities | 2,522,129 | 1,466,602 | 1,055,527 | - | - | - | 2,694,044 |
| Foreign government bonds | 290,184 | 290,184 | - | - | - | - | 144,474 |
| Third-party portfolio | 18,455,209 | 18,455,209 | - | - | - | - | 12,967,472 |
| Federal government bonds | 18,311,636 | 18,311,636 | - | - | - | - | 12,894,050 |
| Corporate bonds | 37,024 | 37,024 | - | - | - | - | 50,747 |
| Foreign government bonds | 106,549 | 106,549 | - | - | - | - | 22,675 |
| Unrestricted portfolio (i) | 3,526,139 | 2,096,261 | 533,508 | 813,203 | - | 83,167 | 4,143,415 |
| Federal government bonds | 2,732,185 | 1,712,747 | 123,068 | 813,203 | - | 83,167 | 4,054,539 |
| Foreign government bonds | 793,954 | 383,514 | 410,440 | - | - | - | 88,876 |
| Total | 31,608,872 | 29,123,467 | 1,589,035 | 813,203 | - | 83,167 | 24,903,973 |

(i) From the unrestricted portfolio, R\$2,361,176 (December 31, 2016 – R\$3,730,531) refers to short position and R\$1,164.963 (December 31, 2016 – R\$412,884) to third-party portfolio.

c. Funds from securities issued and accepted

| | 31/03/2017 | | | | | | 31/12/2016 |
|---|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Securities – Brazil | 6,527,707 | 1,214,012 | 2,664,565 | 2,018,764 | 520,242 | 110,124 | 7,841,631 |
| Financial bills | 5,169,645 | 797,333 | 1,936,780 | 1,815,218 | 510,190 | 110,124 | 6,865,263 |
| Mortgage bonds/letters of credit for agribusiness | 1,290,825 | 414,528 | 711,578 | 154,667 | 10,052 | - | 964,695 |
| Certificates of structured transactions | 67,237 | 2,151 | 16,207 | 48,879 | - | - | 11,673 |
| Securities – abroad | 2,417,894 | 9,865 | 359,653 | 1,395,456 | 13,473 | 639,447 | 2,494,071 |
| Medium term notes (i) | 2,315,447 | - | 312,497 | 1,361,891 | 1,612 | 639,447 | 2,351,264 |
| Fixed rate notes and others | 102,447 | 9,865 | 47,156 | 33,565 | 11,861 | - | 142,807 |
| Total | 8,945,601 | 1,223,877 | 3,024,218 | 3,414,220 | 533,715 | 749,571 | 10,335,702 |

(i) During the quarter ended March 31, 2017, gains in the amount of R\$3,008 (December 31, 2016 – R\$203,764) were recognized by the Bank, as a result of notes acquired below par.

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As at March 31, 2017, securities in Brazil were basically indexed o interest referenced rates (CDI) between 85% and 115% or inflation indexes (IPCA and IGPM) plus 1.0% p.a. to 8.0% p.a. (December 31, 2016 – indexed to (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a.).

On March 31, 2017, securities abroad have rates between 0.13% p.a. and 14.0% p.a. (December 31, 2016 – between 1.45% p.a. and 8.0% p.a.).

d. Loans and onlending

| | 31/03/2017 | | | | | | 31/12/2016 |
|---------------------|------------|---------------|----------------|--------------|--------------|--------------|------------|
| | Total | Up to 90 days | 90 to 365 days | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Loans abroad | 897,085 | 771,580 | 125,505 | - | - | - | 768,480 |
| Foreign currency | 125,467 | - | 125,467 | - | - | - | 63,552 |
| Loans abroad | 771,618 | 771,580 | 38 | - | - | - | 704,928 |
| Loans - Brazil | 169,450 | - | 169,450 | - | - | - | 163,771 |
| Loans | 169,450 | - | 169,450 | - | - | - | 163,771 |
| Onlending in Brazil | 2,651,794 | 9,137 | 64,734 | 138,872 | 156,244 | 2,282,807 | 2,612,571 |
| FINAME/BNDES | 2,651,794 | 9,137 | 64,734 | 138,872 | 156,244 | 2,282,807 | 2,612,571 |
| Total | 3,718,329 | 780,717 | 359,689 | 138,872 | 156,244 | 2,282,807 | 3,544,822 |

On March 31, 2017, loans and onlending have rates of 1% p.a. and 6.4% a.a. (December 31, 2016 – between 2.5% p.a. and 6.4% p.a.).

e. Subordinated debt and debt instrument eligible to capital

| Type - original currency | 31/03/2017 | | | | | 31/12/2016 |
|--|-----------------------------------|------------|------------------|----------------------------|------------|------------|
| | Issued amount (original currency) | Issued | Maturity | Total compensation a.a. | Net amount | Net amount |
| Financial bills - R\$ (i) | 4,161,000 | 15/04/2011 | 15/04/2021 | Inflation plus fixed rates | 5,913,600 | 5,842,192 |
| Subordinated debt - US\$ | 800,000 | 28/09/2012 | 15/09/2022 | 5.75% | 1,382,406 | 1,440,798 |
| Subordinated debt eligible to equity - US\$ (ii) | 1,300,000 | 12/09/2014 | Callable at 2019 | 8.75% | 4,104,182 | 4,305,202 |
| Total | | | | | 11,400,188 | 11,588,192 |

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.
- (ii) During the quarter ended March 31, 2017, gains in the amount of R\$374 (December 31, 2016 – R\$43.619) were recognized by the Bank, as a result of notes acquired below par.

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16. Other obligations

a. Social and statutory

| | 31/03/2017 | 31/12/2016 |
|--------------------------------------|----------------|------------------|
| Dividends and profit sharing payable | 4,192 | 894,208 |
| Employees' profit sharing | 177,823 | 307,640 |
| Other benefits | 115,958 | 255,705 |
| Total | <u>297,973</u> | <u>1,457,553</u> |
| Current | 297,973 | 1,457,553 |
| Long term | - | - |

b. Tax and social security

| | 31/03/2017 | 31/12/2016 |
|--|------------------|------------------|
| Tax and contributions to be collected | 149,865 | 282,360 |
| Tax and contribution payable | 186,624 | 98,144 |
| Deferred social contribution and income tax (Note 18) | 155,632 | 78,535 |
| Deferred PIS and COFINS | 2 | 5,429 |
| Suspended-payment taxes and others tax liabilities (Note 17 (c)) | 1,655,336 | 1,623,739 |
| Total | <u>2,147,459</u> | <u>2,088,207</u> |
| Current | 347,605 | 326,911 |
| Long term | 1,799,854 | 1,761,296 |

c. Sundry

| | 31/03/2017 | 31/12/2016 |
|---|------------------|------------------|
| Payable for acquisition of assets and rights (i) | 1,117,417 | 1,084,923 |
| Accounts payable - personnel | 240,618 | 183,765 |
| Provision for contingent liabilities (Note 17(c)) | 443,891 | 442,505 |
| Other creditors - Brazil | 1,972,425 | 1,809,643 |
| Other creditors - Abroad | 14,275 | 192,482 |
| Allowance for guarantees (Note 10(e)) | 204,234 | 216,404 |
| Obligations related to transferred loans | 6,548 | 15,321 |
| Other | 839 | 42,623 |
| Total | <u>4,000,247</u> | <u>3,987,666</u> |
| Current | 799,690 | 1,830,505 |
| Long term | 3,200,557 | 2,157,161 |

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.).

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17. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at March 31, 2017 and December 31, 2016, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are recorded based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavourable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counselors and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, management considers that the provisions recorded for such proceedings at March 31, 2017 are appropriate to cover probable losses arising therefrom.

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The provisions recognized and their changes are as follows for the quarter ended March 31:

| | 31/03/2017 | | | | 31/03/2016 |
|--|------------|----------|--------|-----------|------------|
| | Tax | Civil | Labor | Total | Total |
| Balance at the beginning of the quarter | 1,623,739 | 407,496 | 35,009 | 2,066,244 | 2,355,783 |
| Recognition | 35,209 | 15,335 | 5,975 | 56,519 | 164,481 |
| Companies desconsolidated (BSI) | - | - | - | - | - |
| Write-off | (3,612) | (19,477) | (447) | (23,536) | (206,110) |
| Balance at the end of the quarter | 1,655,336 | 403,354 | 40,537 | 2,099,227 | 2,314,154 |
| Suspended-payment taxes | | | | 1,655,336 | 1,573,057 |
| Other contingencies and Provision for contingent liabilities | | | | 443,891 | 741,097 |

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 16(b))

BTG Pactual Group has been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a probable loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

COFINS ("Social security financing tax") - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSLL ("Social contribution tax") - Challenge of CSLL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at March 31, 2017, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$940 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of BM&F Bovespa, challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$20 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

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- In October 2012, we received a tax assessment, which in March 31, 2017 totaled R\$2,367 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,851 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

ii. Provision for other contingent liabilities

As at March 31, 2017, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

18. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

| | 31/03/2017 | 31/03/2016 |
|---|------------|------------|
| Income tax and social contribution | | |
| Tax base | 998,500 | 1,598,738 |
| Income before taxes and profit sharing | 1,181,648 | 1,995,072 |
| Statutory profit sharing | (189,372) | (396,334) |
| Interest on equity | 6,224 | - |
| Total charge of income tax and social contribution at the current rates | (151,325) | (719,432) |
| Permanent (additions) / deductions in taxation calculation | (202,498) | (48,595) |
| Equity pick up in associated and jointly controlled companies in Brazil | (226,146) | 237,509 |
| Income/(loss) of foreign exchange on foreign investments | - | (282,134) |
| Foreign earnings | 5,304 | 230,148 |
| Dividends | 1,558 | 43,070 |
| Other Permanent (additions) / deductions | 16,786 | (277,188) |
| Temporary (additions) / deductions on the taxation calculation | 947,204 | 372,716 |
| Reversal of provision for goodwill on the acquisition of investments | 4,212 | 34,030 |

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| | 31/03/2017 | 31/03/2016 |
|---|------------|------------|
| Interest on equity | 400,500 | - |
| Fair value of securities and derivatives | 512,670 | 417,126 |
| Allowance for loan losses | (20,504) | (70,166) |
| Tax contingencies and provision for suspended-payment taxes | (985) | - |
| Other provisions | 51,311 | (8,274) |
| Increase in CSLL - 5% | 5,171 | - |
| Offset of tax losses carry forward - Brazil | (620,282) | 1,125 |
| Tax and social contribution expense | (21,730) | (394,186) |
| Temporary differences | | |
| Recognition / (reversal) of the quarter | (947,182) | (404,618) |
| Recognition on goodwill on investments | 149,400 | - |
| Recognition / (reversal) of tax losses carry forward | 532,130 | 172,908 |
| Recognition on foreign companies tax losses carry forward | 50,926 | (200,510) |
| Recognition / (reversal) of loss on investment abroad | (41,391) | 148,453 |
| Other temporary differences | 1,293 | 82,034 |
| Expenses from deferred taxes | (254,824) | (201,733) |
| Total revenues / (expenses) | (276,554) | (595,919) |

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets presented in "Other credits – Sundry" (Note 12(b)), are as follows:

| Income tax and social contribution | 31/12/2016 | Recognition | Realization (i) | 31/03/2017 |
|---|------------|-------------|-----------------|------------|
| Tax loss | 1,380,635 | 572,743 | - | 1,953,378 |
| Interest on equity | 400,500 | 149,400 | (400,500) | 149,400 |
| Allowance for loan losses | 878,723 | 20,504 | - | 899,227 |
| Fair value of securities and derivatives | 1,372,210 | 156,739 | (613,103) | 915,846 |
| Goodwill on the acquisition of investment | 16,847 | - | (4,212) | 12,635 |
| Tax contingencies and provision for suspended-payment taxes | 187,143 | - | - | 187,143 |
| Other temporary differences | 226,853 | 49,303 | (108,307) | 167,849 |
| | 4,462,911 | 948,689 | (1,126,122) | 4,285,478 |
| Recognized on stockholder's equity | | | | |
| Marked-to-market evaluation of securities and derivatives | 335 | - | (335) | - |
| Total | 4,463,246 | 948,689 | (1,126,457) | 4,285,478 |
| Income tax and social contribution | 31/12/2015 | Recognition | Realization (i) | 31/03/2016 |
| Tax loss carryforwards | 827,919 | 213,433 | (241,035) | 800,317 |
| Allowance for loan losses | 837,220 | 72,398 | (2,232) | 907,386 |
| Fair value of securities and derivatives | 3,042,574 | 252,449 | (669,575) | 2,625,448 |
| Goodwill on the acquisition of investment | 150,228 | - | (34,030) | 116,198 |
| Tax contingencies and provision for suspended-payment taxes | 183,844 | - | - | 183,844 |
| Other temporary differences | 572,337 | 162,454 | (50,679) | 684,112 |
| | 5,614,122 | 700,734 | (997,551) | 5,317,305 |
| Recognized on stockholder's equity | | | | |
| Marked-to-market evaluation of securities and derivatives | 14,045 | - | (10,259) | 3,786 |
| Others | 107,160 | - | - | 107,160 |
| Total | 5,735,327 | 700,734 | (1,007,810) | 5,428,251 |

(i) On March 31, 2017, the amount of R\$48,991 (December 31, 2016 – R\$388,700), refers to recovery paid taxes from investments abroad.

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The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

| Description | Tax credits on temporary differences | Tax loss carry forwards | Total |
|---------------|--------------------------------------|-------------------------|-----------|
| 2017 | 1,193,667 | 353,055 | 1,546,722 |
| 2018 | 921,078 | 639,782 | 1,560,860 |
| 2019 | - | 609,147 | 609,147 |
| 2020 | - | 308,686 | 308,686 |
| 2021 onwards | 217,354 | 42,709 | 260,063 |
| Total | 2,332,099 | 1,953,379 | 4,285,478 |
| Present value | 2,177,537 | 1,095,092 | 3,272,629 |

As at March 31, 2017 tax credits in the amount of R\$879,549 (December 31, 2016 – R\$900,948), from tax losses calculated between the period of 1993 and 2010, were not recorded on the subsidiary, 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.

Deferred income tax and social contribution liabilities amounts to R\$155,632 (December 31, 2016 - R\$78,535), according to note 16(b).

On May 21, 2015, Provisional Measure nº 675 (MP 675/15) was published which increased the rate of the Social Contribution on Net Profit of the financial and insurance sectors from 15% to 20% of taxable profit, from September, 2015. On October 7, 2015, Law 13.169 was published which decrease the rate of the Social Contribution on Net Profit from 20% to 15% from 2019.

19.Shareholders equity

a. Capital

As at March 31, 2017, fully subscribed and paid in capital consists of 2,778,465,411 shares (December 31, 2016 – 2,778,465,411), of which 1,778,353,202 common shares (December 31, 2016 – 1,778,353,202), 550.755.870 class A preferred shares (December 31, 2016 – 550,755,870), 449,356,339 class B preferred shares (December 31, 2016 – 449,356,339), registered shares.

At Special General Meeting held on September 6, 2016, was approved capital increase, through the capitalization of statutory reserves, in the amount of R\$4,000,000, with issuance of 817,526,483 class C preferred shares, by way of stock dividend, both nominative and without par value.

The common shares have right to one vote each in the deliberations of the General Shareholders Meeting and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

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The Class A Preferred Shares shall have the right to be included in acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Bank and (iii) conversion is in accordance with the Bank's Shareholders' Agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

b. Treasury shares

During the quarter ended March 31, 2017, the Bank accomplished the buyback units cancellation, due to approved program, in the amount of R\$104,054 (December 31, 2016 - R\$593,285), equivalent to 8,729,180 units (December 31, 2016 – 45,827,708). On the quarter ended March 31, 2017, there were no units cancellation (December 31, 2016 – 39,930,808 units, in the amount of R\$654.845).

c. Special earnings reserve

The purpose of this reserve is to interest on equity, in the amount of R\$332,000, declared after year ended on December 31, 2016.

d. Legal reserve

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

e. Statutory reserve

According to the Bank's by laws, the purpose of this reserve is to maintain working capital and is limited to the balance of capital.

f. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

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g. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income adjusted in accordance with Article 202 of Law 6404/76.

As at June 30, 2016 the Bank has accrued R\$500,000, relating to interest on equity, equivalent to R\$0.19 per share, which generated R\$225,000 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2016, and the payment occurred on November 9, 2016.

As at December 29, 2016 the Bank has accrued R\$890,000, relating to interest on equity, equivalent to R\$0.32 per share, which generated R\$400,500 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 29, 2016, and the payment occurred on January 12, 2017.

h. Reconciliation of net income (loss) and shareholders equity

| | Shareholders' equity | | Net income | |
|--|----------------------|-------------------|----------------|------------------|
| | 31/03/2017 | 31/12/2016 | 31/03/2017 | 31/03/2016 |
| Banco BTG Pactual S.A. | 18,283,366 | 17,672,754 | 878,857 | 1,008,510 |
| Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (i) | 54,465 | 54,465 | - | - |
| Others (i) | - | - | (158,790) | - |
| Banco BTG Pactual S.A. Consolidated | <u>18,337,831</u> | <u>17,727,219</u> | <u>720,067</u> | <u>1,008,510</u> |

- (i) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity pick up method of accounting.
- (ii) The difference in net income and Stockholders' Equity between Bank financials statements and consolidated financial statements results from the record of exchange variations on investments abroad, and hedges of these investments where the functional currency is different from that of the parent company, net of the respective deferred tax assets.

20. Income from services rendered

| | 31/03/2017 | 31/03/2016 |
|---|----------------|----------------|
| Management and performance fee from investment funds and portfolios | 128,173 | 392,350 |
| Brokerage | 38,257 | 173,726 |
| Professional services | 134,396 | 178,623 |
| Commission over securities placement | 56,077 | 31,596 |
| Guarantees | 60,810 | 56,227 |
| Other services | 5,380 | 3,330 |
| Total | <u>423,093</u> | <u>835,852</u> |

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21. Other operating income

| | 31/03/2017 | 31/03/2016 |
|--|------------|------------|
| Recovery of charges and expenses | 287 | 4,910 |
| Reversal of provision - other | 1,029 | - |
| Reversal of provision - contingencies | 14,548 | 179,520 |
| Monetary correction over judicial deposits | 42,462 | 95,453 |
| Foreign exchange rate gains | 94,103 | 14,757 |
| Adjustment of amounts payable for acquisition of investments | 26,793 | 95,374 |
| Other operating income | 41,957 | 53,330 |
| Total | 221,179 | 443,344 |

22. Other operating expenses

| | 31/03/2017 | 31/03/2016 |
|--|------------|------------|
| Tax restatement expense | 7,565 | 23,164 |
| Foreign exchange rate losses | 68,961 | 128,762 |
| Reimbursement of clients | 423 | 15,007 |
| Monetary restatement expense | 1,933 | 1,557 |
| Adjustment of amounts payable for acquisition of investments (i) | 38,905 | 59,763 |
| Fair value of assets | 87,104 | - |
| Goodwill amortization (ii) | 41,000 | 44,012 |
| Discounts granted in renegotiation | 687 | 382 |
| Allowance for other receivables without loan characteristics | 7,380 | 28,938 |
| Net expenses of physical commodities | - | 144,134 |
| Other | 24,875 | 26,156 |
| Total | 278,833 | 471,875 |

(i) Refers to update of amount payable for the acquisition of investments (mainly Banco Pan S.A. and Banco Sistema S.A.).

(ii) Mainly goodwill amortization from Celfin.

23. Other administrative expenses

| | 31/03/2017 | 31/03/2016 |
|--|------------|------------|
| Outsourced services and consulting | 79,277 | 264,975 |
| Telecommunications and data processing | 49,729 | 118,444 |
| Leases and condominiums | 22,663 | 54,119 |
| Travel and lodging | 7,290 | 17,094 |
| Expenses of the financial system | 28,802 | 85,954 |
| Advertising and public relations | 10,588 | 17,246 |
| Depreciation and amortization | 16,423 | 79,287 |
| Other | 18,917 | 15,360 |
| Total | 233,689 | 652,479 |

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24. Non-operating expenses / income

Refers basically to the losses/gains from sale of investments or adjustments arising from receivables from investments, as described on note 2.

25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, which are all carried at arm's length, are reflected in the following accounts:

| | Parent company | | Subsidiaries and joint controlled entities | | Total | |
|----------------------------------|----------------|------------|--|-------------|------------|-------------|
| | 31/03/2017 | 31/12/2016 | 31/03/2017 | 31/12/2016 | 31/03/2017 | 31/12/2016 |
| Assets | | | | | | |
| Open market investments | - | - | 345,000 | 527,100 | 345,000 | 527,100 |
| Interbank investments deposits | - | - | 1,100,000 | 435,000 | 1,100,000 | 435,000 |
| Securities | - | - | 269,297 | 237,547 | 269,297 | 237,547 |
| Derivative financial instruments | 10,306 | 8,275 | 1,122 | 3,658 | 11,428 | 11,933 |
| Loans and Receivables | 433,745 | 987,295 | - | 971,297 | 433,745 | 1,958,592 |
| Liabilities | | | | | | |
| Interbank deposits | (161) | (58) | - | - | (161) | (58) |
| Time deposits | (27,156) | (108,658) | (94,160) | (7,747) | (121,316) | (116,405) |
| Open market funding | - | - | - | - | - | - |
| Securities issued abroad | - | - | (567,872) | (1,723,067) | (567,872) | (1,723,067) |
| Derivative financial instruments | (717) | (483) | (45,055) | (13,399) | (45,772) | (13,882) |
| Sundry | - | - | (4,014) | (3,658) | (4,014) | (3,658) |
| | | | | | | |
| | Parent company | | Subsidiaries and joint controlled entities | | Total | |
| | 31/03/2017 | 31/03/2016 | 31/03/2017 | 31/03/2016 | 31/03/2017 | 31/03/2016 |
| Statements of income | | | | | | |
| Financial income | 1,344 | 8,885 | 25,135 | 45,185 | 26,479 | 54,070 |
| Financial expenses | (12,421) | (2,379) | (136,620) | (181,932) | (149,041) | (184,311) |
| Other operating income | - | - | (27) | 103,148 | (27) | 103,148 |

Total compensation paid to key management personnel totaling this period R\$1,245 (March 31, 2016 – R\$1,275) which is considered short term benefit.

26. Other information

a. Cash and cash equivalents

| Balances at beginning of the quarter | 31/12/2016 | 31/12/2015 |
|--------------------------------------|------------|------------|
| | | |
| Cash and cash equivalents | 674,114 | 20,490,900 |
| Open market investments | 11,360,730 | 9,073,969 |
| Interbank deposits | 1,938,904 | 8,864,471 |
| Total | 13,973,748 | 38,429,340 |
| | | |
| Balances of end of the quarter | 31/03/2017 | 31/03/2016 |
| | | |
| Cash and cash equivalents | 899,681 | 19,601,255 |
| Open market investments | 17,788,322 | 9,609,709 |
| Interbank deposits | 2,233,550 | 4,850,343 |
| Total | 20,921,553 | 34,061,307 |

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b. Commitments and responsibilities

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

| | 31/03/2017 | 31/12/2016 |
|---|---------------|---------------|
| Co-obligation and risks for guarantees granted | 31,308,505 | 35,969,487 |
| Responsibility for the management of futures and investment portfolio (i) | 160,478,078 | 160,360,167 |
| Securities | 27,236,929 | 33,533,341 |
| Securities under custody | 1,098,962,468 | 1,117,738,333 |
| Securities trading and brokerage | 1,124,145,572 | 1,324,544,222 |
| Loans contract to release | 1,037,789 | 297,675 |
| Commitments to be released | 49,800 | 47,700 |

(i) Recognized by the sum of the equity values of funds and investment portfolios

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

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

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

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

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

27.Subsequent events

On April 17, 2017, the acquisition transaction of Enforce equity interest, described on note 2, was approved.